INTERNATIONAL LABOUR OFFICE

Governing Body

316th Session, Geneva, 1–16 November 2012 GB.316/INS/11

Institutional Section **INS**

ELEVENTH ITEM ON THE AGENDA

Report of the Board of the International Training Centre of the ILO, Turin

74th Session of the Board
(Turin, 1–2 November 2012)

1. The 74th Session of the Board of the International Training Centre of the ILO ("the Centre") was held in Turin on 1–2 November 2012.

2. The report of the Board's meeting is submitted to the Institutional Section of the Governing Body in accordance with the Governing Body's decisions at its 310th (March 2011) and 311th (June 2011) Sessions.

Opening of the session

A. Introductory statements

3. *The Chairperson, Mr Vines,* representing the Director-General of the ILO and the Chairperson of the Board of the Centre, Mr Ryder, welcomed the members of the Board. He apologized for the absence of the Director-General and announced that he would visit the Centre on 19 November.

4. *The representative of the Italian Government, Mr De Mistura*, welcomed all participants to the Turin campus, which he knew well after having run the United Nations System Staff College for many years and which he recalled was of great value and importance to the host country. Recalling the support of the Italian authorities for the Centre, he said that reducing the voluntary contribution had been a painful necessity and that the *ex lege* contribution had been maintained and remained a priority for his Government. He recalled that the Turin Centre had a part to play in furthering democracy, notably in the Arab Spring countries, and hoped that new donors would join those already contributing to the running of the Centre.

5. *The Mayor of Turin, Mr Fassino*, expressed satisfaction at Turin's growing reputation as a centre of excellence and international training. He outlined the development of Turin and that of its image over the last 20 years. Once an industrial city, Turin had become an important financial and university centre, as well as a cultural and tourist destination. Training was one of Turin's most recent vocations and brought it international visibility. The presence of the United Nations bodies was a valuable asset to the city. He thanked them and hoped that the Centre would continue to develop its range of training activities.

6. *The representative of the Unione industriale di Torino, Mr Rosi*, recalled how fortunate Turin was to host the Centre, particularly in the context of the slow economic recovery following the economic upheaval of 2008 and 2009, and once again expressed his desire for closer collaboration between the Centre and the local private sector.

7. *The Chairperson* thanked the speakers for the support provided by their institutions to the Centre. He outlined the current situation within the ILO following the assumption of office of the new leadership, which was fully aware of the need to reinforce the role of the Centre. On behalf of the Director-General, he congratulated the Centre on successfully dealing with the problems arising from the reduction of the voluntary contribution from several donors. In order to deal with future challenges, the Centre would have to account for the changeable nature of the demand for training, which would require a permanent investment in innovation. The Chairperson briefly presented the Director-General's ambitions for the Centre, which should serve as the main training centre for topics related to the world of work. He informed the Board of the Director-General's intention to maximize the Centre's potential and the collaboration between Geneva and Turin, for example, in the mobilization of resources. That would all be carried out within the context of the Strategic Plan for 2012–15.

B. Adoption of the agenda

8. *The Chairperson* announced that agenda items 1 and 2 would be considered together and that the first sitting would adjourn at 5.00 p.m. to allow for a presentation to be made to the Board on the Centre's resource mobilization strategy and plan.

9. *The Board adopted the agenda.* [1]

I. Annual report on the activities of the Centre in 2011
(First item on the agenda)

II. Interim implementation report for 2012
(Second item on the agenda)

10. *The Director, Ms O'Donovan*, introduced the documents. She pointed out that the annual report covered the activities carried out in 2011 and that the meeting provided the first opportunity for the Board to review the outcomes collectively. She highlighted that, even in an environment of financial pressures, the Centre had managed to maintain a good number of participants, training activities and training days. Ten academies had been organized in 2011, compared to three in 2010, representing a significant increase in the

[1] CC 74.

number of these activities. There had been a slight decrease in the number of female participants due to the completion of a number of projects. Training for workers' and employers' representatives accounted for 30 per cent of participants, while training for labour ministries and their agencies accounted for 10 per cent. From an internal management perspective, access to the IRIS strategic management tool had enabled the Centre to interface directly with the programming exercise of the ILO. In addition, improvements had been made to the campus, including important renovation works undertaken by the City of Turin. In 2011, the Centre had generated a modest surplus of €765,000 and had received an unqualified opinion from the External Auditor on its 2011 financial statements.

11. The interim implementation report for 2012 covered the first six months of the year. It was presented in a results-based format, reporting in accordance with the indicators and targets established in the Strategic Plan for 2012–15. The targets set for 2012 had been deliberately ambitious, and would be adjusted in the light of experience. A balanced budget for the Centre had been forecasted for 2012 with a very small surplus. Highlighting a couple of key points from the report, the Director noted that the Turin School of Development had begun collaborating with the *Institut d'études politiques (Sciences Po)* and the University of Barcelona to offer programmes in French and Spanish. The Turin School of Development had also reached an agreement with the ILO concerning the launch of a PhD programme on topics related to the knowledge and research priorities of the Organization.

12. *The Director of Training Programmes, Mr Graziosi*, provided an update on the statistics contained in the interim report. He explained why the Centre would not meet the targets set for the number of participants coming from constituents' organizations: the ILO's slow process for approving and allocating resources to the Centre in the first year of the biennium; a decision by the Government of Spain to cancel two large projects for workers' and employers' organizations in Latin America; and an overall reduction in non-earmarked funding. He alluded to positive progress towards the achievement of other targets, such as the direct contribution of the Centre to the Decent Work Agenda of the ILO, the comprehensive evaluation by participants of the usefulness and relevance of the Centre's activities, the increasing number of activities linked with the ILO's 19 outcomes, and enhanced collaboration with ILO technical departments in the design and delivery of activities. In addition, the target set for the delivery of ILO staff development and training programmes would probably be exceeded owing to a large portfolio of activities. New programmes launched that year included a course for staff on European Union resource mobilization and new self-learning tools on international labour standards, tripartism and gender equality. As regards the acquisition of knowledge of ILO values, policy and tools by policy-makers and decision-makers, he noted that 25 per cent of the activities of the Centre were expected to be implemented in partnership with other training, research and academic institutions, thereby exceeding the target set. Gender balance among participants was on target and participant satisfaction remained high and stable.

13. *The Worker Vice-Chairperson* welcomed Mr Vines as the Chairperson of the meeting and anticipated fruitful deliberations under his guidance. While regretting the absence of the Director-General, he remained confident that he would chair the meeting of the Board the following year. He thanked the Italian partners for their support for the Centre, and expressed the hope that Italy would soon be able to resume its voluntary contribution to the Centre. He expressed concern at the structural and budgetary constraints facing the Centre, which affected its ability to deliver on its core mandate as the training arm of the ILO with a special focus on tripartism and capacity-building programmes for constituents. He urged the Centre to find a way out of the present trend of "declining stability" by adopting a more ambitious and proactive approach in order to deliver on that mandate, and by engaging with the ILO reform programme launched by the new Director-General. He insisted that the allocation of resources to the Centre should be an integral part of the ILO resource mobilization strategy and proposed that the ILO formulate an Office-wide outcome on "Capacity building for constituents on the Decent Work Agenda". He requested the Centre's management to adopt specific measures to further promote workers' participation and tripartism in the Centre's activities, including design and delivery. He proposed that the Programme for Workers' Activities be granted a larger share of the regional regular budget for technical cooperation (RBTC) allocated to the Centre and that resources be allocated for workers' participation in tripartite courses and academies. He also requested an evaluation of the academies, particularly in relation to the impact on tripartism, labour standards and worker participation, which could be discussed at the Board's meeting the following year. He welcomed the efforts undertaken by the Centre to diversify its resource base and to improve the evaluation of the impact of its training. More efforts should also be made to attract funding for tripartite delegations on core ILO issues that contributed to national policy-making processes on such topics. In line with the commitment of the Director-General of the ILO to ensuring that change took place with the participation of staff, he requested that the staff of the Centre be informed about the strategy and the contents of the business process review. Any changes to the operating model of the Centre should be subject to dialogue and negotiation with the ILO Staff Union Committee (SUC). He also expressed appreciation for the ILO Staff Union manifesto submitted to the Centre's management. Efforts to reduce the overhead costs of the Centre should not increase the workload of staff, and the Centre should also ensure that labour relations with the employees of external contractors providing services at the Centre were defined in accordance with ILO principles and standards of decent work. He concluded by requesting a meeting of the Officers of the Board before the March 2013 session of the Governing Body in order to receive information on the ILO reform process and the integration of the Centre with the ILO.

14. *The Employer Vice-Chairperson* thanked the Italian partners for the support they provided to the Centre, welcomed the commitment of the Government of Italy to resuming funding when circumstances allowed, and joined the appeal for other governments to support the Centre. He congratulated the Centre on the efforts it had made under difficult external circumstances, in particular its effective and transparent financial management and the clarity of its reports. However, he expressed concern at the inability of the Centre to meet certain key targets. His group considered there to be no long-term strategy or vision to ensure the Centre's sustainability and to safeguard the quality of its training activities with regard to resource mobilization and diversification, the reduction of fixed costs, efficient human resource management, and closer alignment with the key priorities of the new leadership of the ILO. In addition, sufficient resources should be allocated to building the capacities of social partners. He recommended establishing a taskforce within the ILO governing structure to facilitate open discussion with a view to ensuring the Centre's viability as a key contributor to the delivery of the ILO mandate.

15. *The Government Vice-Chairperson* noted the efforts undertaken to increase funding for the Centre, particularly by launching new academies, the expansion of the range of programmes offered by the Turin School of Development, as well as the successful bidding. She underlined the importance of expanding partnerships with reputable training and tertiary education institutions in several regions of the world. The Government group pointed out that, despite the optimistic elements contained in the report, a number of fundamental questions remained, such as the lack of clarity regarding both the criteria for allocating the surplus, part of which should benefit tripartite activities, and the resource mobilization strategy, which would serve to increase the predictability of medium- and long-term funding. The speaker stressed the importance of South–South and triangular exchanges, which should be strengthened; the need to ensure an interregional balance with regard to participation in the Centre's activities; and, in particular, the need to increase the stake held by the Arab States – possibly by complementing that measure with a new classification method aimed at identifying possible assistance for the countries of North Africa – and that held by the countries of the Asia–Pacific region. She concluded by highlighting the request made by several governments for a point for decision on the evaluation of the Centre’s activities in order to ensure that the recommendations made would have a bearing on the Centre’s future direction; the desire for the Director-General to participate in the next meeting of the Board of the Centre; and the group’s gratitude for the support provided to the Centre by Italy, the region of Piedmont and the City of Turin.

16. *The representative of the Government of Italy* expressed concern at the decrease in the funds available to the Centre and at the decline in its results. She was of the opinion that the solution lay in quality. She called for the creation of a specific range of training programmes for the Arab Spring countries and for a general discussion aimed at redefining the concept of the Centre and adapting it to the new training market.

17. *The representative of the Government of the Islamic Republic of Iran* insisted on the productivity and efficiency of training activities, which could be measured by means of the reliable indicators that allowed the Board to evaluate the Centre’s performance more effectively. As the coordinator for the Asia–Pacific region, his country underscored the need to increase the participation of the region in the activities of the Centre so that the region’s demographic importance was better reflected.

18. *The representative of the Government of India* congratulated the Centre’s management on the new concepts it had adopted for training activities and expressed satisfaction, in particular, at the format of the academies.

19. *The representative of the Government of China*, noting a decline in the number of participants from the Asia–Pacific region, hoped that the trend could be reversed by increasing cooperation with the region, in particular with relevant Chinese institutions.

20. *The representative of the United Nations Development Programme (UNDP), Mr Rogers*, stated that UNDP considered the Centre to be a strategic partner in its efforts to reduce poverty and to enhance sustainable development. In 2011, the agency channelled €177,729 through the Centre’s programmes, primarily in the area of microfinance and enterprise development. He congratulated the Centre on the number of programmes it had run in 2011 with scant resources, on its achievements in terms of cost reduction, on its advances in improving processes, and on the extent of its collaboration with the United Nations system as a whole. He noted an opportunity for building on the long-standing relationship between UNDP and the Centre, particularly in the areas of local governance, disaster risk reduction, and financial inclusion. He observed that the Centre provided demand-driven services in niche markets and suggested that it improve its marketing and outreach efforts in order to communicate its competitive advantage more effectively. He added that the Centre’s resource mobilization strategy was taking the right approach in tracking, packaging and marketing the Centre’s value-added results. Referring to the 50 per cent increase in multimedia publishing revenues, he suggested that the Centre focus more on that area as a revenue stream. The Centre could also emphasize its cost recovery approach in charging other organizations in the United Nations system.

21. *The Director* stated that the Centre was operating within the results framework of the Strategic Plan for 2012–15, which had been approved by the Board the previous year. The targets set for 2012 represented an initial effort on the part of the Centre to measure results and she agreed that there was room for improvement in a number of areas. It was clear that some of the targets set were overly ambitious but that had been acknowledged when the Plan had been adopted. It was inevitable that the targets would need to be adjusted in the light of experience and lessons learned. She stated that the Plan should not become a straightjacket but that it should be reviewed periodically in the light of changing circumstances. It should also be adjusted to take into account the new Director-General's reform agenda.

22. *The Director of Training Programmes* stated that allocations from the regional RBTC to the Centre were carefully earmarked and that they were always used to achieve ILO outcomes. He noted that the volatility of national institutions, which characterized the changes in a number of Arab States, posed challenges for engagement, as the Centre's structure required established interlocutors. He mentioned the €500,000 recently granted by the Government of Italy, which would allow the Centre to step up engagement in a number of countries in North Africa in collaboration with ILO offices and tripartite constituents. In response to the question raised on the limited enrolment of Asian participants in the Centre's programmes, he emphasized that the Centre had a focused strategy for establishing partnerships with learning and training institutions in the Asia–Pacific region. He mentioned the formal agreement that had just been signed with the National Labour Institute of India; and partnerships with training institutions in Pakistan, China, and the Republic of Korea, as well as a partnership soon to be concluded with Viet Nam. He emphasized that the Centre's approach to training and knowledge sharing, which was based on peer learning and the cross-fertilization of experiences, made it an ideal forum for South–South and triangular cooperation. He noted that, two years ago, Brazil had approved a project for €2,000,000 and that the Centre was presently discussing the possibility of devising a programme on the basis of the agreement signed with India. In the area of distance learning, the Centre had developed innovative tools and methodologies including facilitated online discussions, tutor-assisted approaches, mobile learning and self-learning modules. He concluded by acknowledging the renewed dialogue between the Centre and the ILO Department of Partnerships and Development Cooperation (PARDEV).

23. *The Chairperson* affirmed that many of the issues raised in the discussion fit within the ILO reform programme envisaged over the next 12-15 months, particularly the review of funding and partnerships with the public and private sector, technical cooperation, external relationships, and the field review. He confirmed that the Centre would be an integral part of the reform programme and would be consulted as much as possible.

24. *The Board took note of both documents and requested the Director to take into account the comments and guidance provided by the Board during its discussion.*

III. Financial questions
(Third item on the agenda)

25. *The Worker Vice-Chairperson* sought clarification on three governance issues. The first related to the role and timing of the Board's approval of the financial statements, given that Centre officials had approved the financial statements in March and they had been posted on the Centre's website in August. He asked why the financial statements had been published before they had been discussed and confirmed by the Board. The second issue concerned the interim implementation report which only covered the first six months of the year and, therefore, provided insufficient information to have an informed discussion on the Programme and Budget proposals for 2013. He proposed that, in future, the additional information be provided before the Board's meeting in a separate update note. The third issue concerned the proposal put forward by the Employers' group to set up a team that would meet with Officers of the Board in March to provide feedback on the Centre's plans and implementation progress prior to the meeting of the Board in October 2013. He asked whether the proposal had been accepted.

26. *The Chairperson* explained that the points raised in relation to the financial statements would be addressed under agenda item 4. In relation to the proposal to engage in discussions with Officers of the Board, he suggested that an informal discussion could take place to coincide with the meeting of the ILO Governing Body in March or June of the following year.

A. Programme and Budget proposals for 2013

27. *The Director* presented the document, highlighting the fact that 2013 would be the second year of implementation of the four-year strategic plan. [2] The proposals incorporated lessons learned in 2012, particularly with respect to target-setting, and further integrated the results-based approach, using enhanced data to measure results. Core elements included promotion of a closer and more strategic collaboration with the ILO, both at headquarters and in the regions, and a comprehensive resource mobilization plan. She stressed that the process of transition and adaptation was ongoing and would continue into 2013. In addition, there were cost efficiencies linked to internal reform initiatives.

28. She highlighted some of the new activities planned for 2013. Some new academies would be introduced, one of the most important of which was a Youth Academy focusing on key issues around youth unemployment. There would be greater emphasis on distance and e-learning. A coherent certification framework would be established to give the Centre and the quality of its work greater visibility. The ILO staff development programme would be expanded. Closer coordination with PARDEV on resource mobilization, and greater outreach, promotion and communication with external partners and constituents were planned. The Centre’s staff development funds would increase from 0.8 to 1 per cent of payroll.

29. She summarized the assumptions underpinning the budget, including greater synergy with the ILO in resource mobilization and delivery of capacity-building training activities, increasing donor support and establishing new partnerships. The budget assumed that the Centre could continue to achieve cost savings through greater administrative and operational efficiencies. It included a 1.5 per cent increase in staff salaries related to decisions by the International Civil Service Commission (ICSC) and a provision for inflation of 2.5 per cent. The budget had been conservatively prepared, making no assumptions regarding voluntary contributions from the Government of Italy (other than the *ex lege* contribution of €7,850,000 (see table 2)), the Piedmont Region or the City of Turin.

30. A modest surplus of €765,000 had been achieved in 2011 and it was proposed that those resources should be used in 2013 as follows: €500,000 to support training activities, €100,000 to replenish the Innovation Fund and €165,000 to invest in improving training and accommodation facilities.

31. *The Worker Vice-Chairperson* observed that the new format of the programme and budget proposals was clear and transparent. It was the second year of the Strategic Plan and it had been noted that the most important strategic targets (participation of constituents and resource mobilization) would not be reached in 2012 and ran the risk of being downsized further in 2013, with a growing gap in relation to the achievements expected under the Strategic Plan. The weak integration with the ILO and the lack of mobilization of new unearmarked resources would affect results under Outcome 1 and risked penalizing the

[2] CC 74/3/1.

capacity of the Centre to deliver training on the core ILO mandate. The quality of resource mobilization and donor contributions was particularly relevant and, therefore, he expressed concern at the absence of an assessment of the voluntary funding withdrawn by two of the few direct donors of the Centre, Italy and Spain, of the means to replace it, and of the risks for the Centre if the required funding for core activities through the Regular Budget Supplementary Account (RBSA), global products and technical cooperation projects, was not secured. The main concern of the Workers' group was that if the Centre continued to receive more earmarked funding, challenges to fund training for social partners would continue and Strategic Plan targets would not be met on a structural basis.

32. *The Worker Vice-Chairperson* concluded by pointing out a contradiction between the programme and budget proposals which anticipated no new donors before 2013 and the interim implementation report for 2012 which anticipated one new donor. He sought clarification on items 30 (regular budget staff, including General Service staff) and 31 (project-based staff) of the budget, which envisaged reduced costs for project-based General Service staff in training units, and items 52 (participants' costs) and 55 (other variable costs), which indicated a reduction in costs linked to participants. Even under severe budget constraints, the level of service to participants should not be compromised.

33. *The Employer Vice-Chairperson* reflected on his opening remarks, stressing that his strong words were intended to focus attention on some key issues and benefit from the opportunity for change. He emphasized his group's commitment and concern and highlighted the need to seek out synergies with all other stakeholders. The aim should be to make the Centre the expert institute for training worldwide.

34. He stated that the presentation of the programme and budget proposals was clear. His group would have liked to see a better linkage between the long-term Strategic Plan targets and the intermediate targets achieved that year. In addition, he noted that the policy orientation did not really come through clearly in the document, which described a mix of past achievements, new targets and intentions with respect to resource mobilization. The group accepted the orientations that underpinned the budget and, while understanding the need for realism, suggested that the Centre seemed to be in survival mode and should be more ambitious. He pointed out that there needed to be more fundamental reflection on how the Centre would develop to ensure its continued relevance. He emphasized the need to keep the long-term vision alive and stay motivated and mobilized rather than being resigned to difficult external circumstances.

35. He outlined the five priorities that the group considered should underpin the budget: generating more income; cutting overhead costs; maintaining and improving the relevance and quality of training; strengthening tripartism by building the capacity of social partners; and integrating with the ILO. The main problems with the programme and budget proposals were that there was no clear vision on the degree of integration with the ILO and no substantial progress in cutting overhead costs. A 1 per cent cut in overhead costs in 2012 and 2013 would not go far towards achieving the goal set in the Strategic Plan to reduce overhead costs from 37 to 25 per cent by 2015. Indicator 3.2 on the overhead cost percentage was a major concern for the group. Greater efforts were needed at the current time in order to avoid a shock in the last two years of the Plan.

36. *The Government Vice-Chairperson,* before commenting on the document, declared her group's support for the request made by the Employers' group regarding the establishment of a working group on the Centre's funding strategy and strengthening collaboration between the Centre and the ILO, but requested further information on its practical functioning.

37. Regarding the Programme and Budget for 2013, having recalled the group's concern at the decrease in income estimates in table 1, she stressed the importance of intermediate targets and indicators with a greater focus on effectiveness and efficiency in terms of results-based action and, regarding the title of Outcome 2, she asked for clarification as to the direct link with the selected indicators. She regretted that some of the indicators lacked ambition in their intermediate targets. For example, the 2013 intermediate target for indicator 1.2 was lower than the 2011 baseline, the 20 per cent bracket referred to under indicator 1.3 seemed too restrictive for a proper evaluation of the impact of training activities, and she expressed concern at the decrease in the target under indicator 2.2 (number of participants/participant days). She also requested clarification regarding the target audience for the "Youth Academy" and enquired about what had been done to improve access for disabled persons to the Centre's facilities.

38. *The representative of the Government of Germany*, suggested that in future programme and budget documents, it would be helpful to make all assumptions explicit, including the price and exchange rate developments that were used to calculate the figures presented. In addition, he suggested that a breakdown of average labour costs should be provided by category, such as base salary, post adjustment and other overheads.

39. *The representative of the Government of the Islamic Republic of Iran* encouraged the Centre to review its core curricula in order to enhance their relevance to tripartite constituents and he stressed the need for a periodic review of the productivity and cost effectiveness of the work of individual units, and of more resources for staff development. Noting the decrease in missions under variable costs, he stressed that technical missions took know-how to the furthest corners of the world and should be budgeted at a more reasonable level.

40. *The Director* remarked that the discussion had clearly captured the dilemma that the Centre was facing. She confirmed that resource mobilization would remain a high priority, looking to non-traditional donors as well as governments. She acknowledged the concerns that had been voiced that some targets were not ambitious enough and that others were too ambitious. She indicated that the targets for 2013 were based on lessons learned and represented the best estimate of what was realistic and achievable. With respect to concerns regarding the budgetary impact on training for constituents, she explained that the management could not predict a substantial increase in traditional resources in that area in 2013 and that it would therefore be important to explore other avenues for funding. Responding to comments that the Centre needed a longer term vision, the Director said that she believed that such a vision was encompassed in the Strategic Plan for 2012–15, which had been adopted by the Board the previous year. She characterized the current environment as one of transition rather than survival, in moving from a period when resources were plentiful to one in which resources were scarce. She agreed with comments made by the representative of the Government of Italy, that performance was not necessarily determined by resources. While the Centre accepted that more limited resources required change and adaptation, it should continue to seek ways to improve performance. The targets represented a commitment to ILO constituents to improve the Centre's performance.

41. *The Director* responded to the comments about integration with the ILO noting that there was a consensus on the importance of the Centre working closely with the ILO on a wide range of issues. But it was necessary to move beyond that general statement and be as concrete as possible about what it actually meant. She explained that she saw three priority areas where there was room for greater collaboration between the Centre and the ILO: greater coordination between the Centre and the ILO in relation to resource mobilization; better integration between the technical programmatic work carried out by the Centre and by the ILO; and eliminating the bottlenecks in the use of ILO resources earmarked for the

Centre. If progress could be made in those three key areas, it would have a very positive impact on the Centre's ability to deliver on the identified priorities.

42. *The Director* finally referred to the Training Catalogue for 2013, which had been distributed to Board members. It included a wide variety of courses that went far beyond training linked to Decent Work Country Programmes (DWCPs). The Centre's large portfolio of courses was indicative of its ambition to move beyond its traditional areas of work. On the issue of overhead costs, she shared the concern expressed by the Employers' group on the slow pace of progress but indicated that it took some time for the investment in change to yield results and that a certain amount of momentum was necessary before substantial progress was seen.

43. *The Director of Training Programmes* responded to the question of the Workers' group on resource mobilization among new donors by identifying a number of deals currently being negotiated, including with the Ministry of Labour and Human Resources of Japan, the African Development Bank, and a number of non-state foundations. He confirmed that the RBSA contributions to the Centre were rather limited as training components tended to come at the end of the process. He explained that the Centre's share of ILO extra-budgetary resources was approximately 1 per cent.

44. Regarding the proportion of the Centre's involvement in ILO and broader development-related activities, he stressed that training products developed outside the ILO mandate were initially developed in order to maintain the Centre's skills, expertise and credibility, in order to continue to work with a broader range of partners. Those skills then became relevant to its core capacity and to ILO constituents.

45. He explained the difference between Outcomes 1 and 2, stating that the first related to the contribution of the Centre to the achievement of specific ILO outcomes and strengthening ILO constituents, whereas Outcome 2 related to the Centre's role in reaching out to a broader audience, including constituents and other partners by sensitizing them to ILO policies, tools and approaches. On the question raised regarding the Youth Academy, he explained that the academy would involve a broader network of UN organizations and non-UN partners and would address the issues of education, health, gender, violence and social inclusion with a strong focus on youth employment.

46. *The Treasurer, Ms Dungca,* addressed the questions that had been raised on items 51 (Missions), 52 (Participants' costs) and 55 (Other variable costs) of the budget. Those items covered variable costs solely related to the implementation of specific training activities and developed in accordance with available funding. The budget was based on experience from previous years, and could change depending on the type of projects implemented. She also explained that further analysis of variable costs led to the distribution of some of the variable costs to improve expenditure classifications in the 2013 budget, compared to those used in 2012. She confirmed that more details would be included on average staff costs in future budgets.

47. *The Chairperson* suggested that the best way to proceed with further discussion on the proposal to establish a group was that it should be taken up as part of the reform process and feedback should be provided to the Board in March 2013.

48. *The Board approved the Programme and Budget Proposals for 2013 as presented in document CC 74/3/1.*

B. Review of the Financial Rules

49. *The Treasurer* introduced the document. [3] She indicated that the Financial Rules had been last amended in 2006 to introduce the change in reporting currency with effect from 2008. The previous year, the Board had approved amendments to the Financial Regulations in line with the International Public Sector Accounting Standards (IPSAS). It was a complementary exercise that revised the Financial Rules, bringing them into line with IPSAS and aligning them more closely with the Financial Rules of the ILO.

50. *The Worker Vice-Chairperson* suggested an amendment to the penultimate bullet point of paragraph 10.10 requesting the insertion of wording to specify that respect for ILO standards on decent work, as a fundamental component of the ethical values of the Centre, was a general principle governing procurement. He also sought clarification on whether paragraphs 6.50 and 6.60 governing the submission of claims should be part of the Financial Rules or whether they were better addressed through internal procedures.

51. *The Employer Vice-Chairperson* did not object to the adoption of the proposed amendments to the Financial Rules. Although they understood the sentiment behind the amendment proposed by the Workers' group, the Employers did not agree that the Centre could require individuals or companies to comply with ILO standards.

52. *The Government Vice-Chairperson* supported the proposed amendments to the Financial Rules.

53. *The Chairperson* explained that words to the same effect as the amendment proposed by the Workers' group were already included as a matter of course in all ILO and Centre contracts. It was agreed to endorse the proposed amendments to the Financial Rules as originally presented, and to note that the proposal presented by the Workers' group would be revisited at the next session of the Board.

54. *The Treasurer* noted, in respect of paragraph 6.50, that the Financial Rules previously referred back to the ILO's Financial Rules, and that the change simply included the rule rather than referencing it. She added that paragraph 6.60 had been inserted to comply with IPSAS.

55. *The Board approved the amendments to the Financial Rules as set down in document CC 74/3/2.*

C. Implementation of IPSAS: Progress report

56. *The Chairperson* tabled for consideration the progress report on implementation of IPSAS. [4]

57. *The Worker, Employer and Government Vice-Chairpersons* had no comment.

58. *The Board took note of the document.*

[3] CC 74/3/2.

[4] CC 74/3/3.

IV. Audit questions
(Fourth item on the agenda)

A. Financial statements and External Auditor's report for the financial year 1 January–31 December 2011

B. External audit plan 2012

59. *The Treasurer* introduced the document. [5] She stated that the Centre had again received an unqualified audit opinion on the financial statements for 2011. She described the various fund balances and provided a breakdown of ILO contributions to the Centre in 2011. She explained that the budgetary surplus achieved in 2011 was due to a mix of favourable and unfavourable factors, including a decrease in voluntary contributions which was more than offset by an increase in training revenue and other income. She highlighted the fact that the technical programmes had exceeded their contribution to fixed costs (CFC) target. In addition, the academies had generated CFC equal to 10 per cent of the total target and the Turin School of Development had contributed 8 per cent to the total. Savings in fixed staff and non-staff costs were due to savings in staff costs, missions and general operating expenses; ILO provision of shared legal and audit services; and renewal of contracts with service providers at more favourable prices. An increase in the provision for bad debts and currency exchange losses completed the explanation of the budgetary variance.

60. *The Director* responded to questions raised earlier by the Workers' group on procedures around the approval of the financial statements. She noted that the procedures followed by the Centre were exactly the same as those followed by the ILO, whereby the ILO financial statements were approved by the Director-General and the Treasurer and then submitted to the Governing Body for adoption. The financial statements of the Centre were prepared by management and must be approved and signed off by the Director and Treasurer of the Centre, who were accountable to the Board. This step was essential so that the External Auditors could proceed with their independent examination. The audited financial statements were presented to the Board for its consideration, to provide feedback, and seek clarification before adoption. This was the formal requirement laid down in the Financial Regulations. If the Board was not satisfied with the content of the financial statements, adoption would be deferred to enable the issues to be addressed, and the financial statements would be submitted to a subsequent meeting of the Board. With respect to the timing of adoption by the Board, the timeline for presentation of the financial statements and External Auditor's report was specified in the Financial Regulations, which stated that they were to be presented at a meeting held during the following financial year.

61. *The Employer Vice-Chairperson*, noting that a number of previous external audit recommendations had been fully addressed while others were ongoing, asked whether there were any important actual or potential financial or reputational risks to the Centre.

62. *The Worker Vice-Chairperson* pointed out that there was no decision point in the final paragraph on page 5 of the document.

63. *The Government Vice-Chairperson* had no observations to make.

[5] CC 74/4/1.

64. *The representative of the External Auditor, Ms McMahon*, presented the External Auditor's report. [6] She summarized the contents of the report, which expressed an unqualified opinion on the 2011 financial statements. She stated that the financial statements presented fairly the Centre's financial position, financial performance, cash flow, and comparison of budget and actual amounts for the year in accordance with the United Nations System Accounting Standards. In addition, the Centre's transactions that had come to the External Auditor's notice were in accordance with the Financial Regulations and legislative authority of the Centre. She congratulated the Centre for the progress made in the achievement of IPSAS and thanked the Director and her team for their full cooperation during the audit process.

65. She then presented the report on the plan for the audit of the 2012 financial statements. [7] The plan provided information on the mandate of the External Auditor, objectives of the audit and responsibilities of all parties. She explained that the external audit was based on risks and focused on those areas that had a higher risk for significant anomalies or non-compliance. The audit plan for 2012 identified three risk areas: the current economic climate, in which there was reduced funding from traditional sources; the adoption of the new IPSAS accounting standards; and significant accounting estimates. Consequently, the audit would examine controls in place to ensure compliance with the Financial Regulations and authorities, adjustments relating to first-time recognition of building improvements, the accounting and disclosure around land and buildings, and estimates relating to doubtful accounts and contingent liabilities. She said that the External Auditor would also work with management to improve the overall understandability of the financial statements.

66. *The Employer, Worker and Government Vice-Chairpersons*, after clarifications were given on the points raised, indicated their support for the documents.

67. *The Chairperson* provided wording for the introduction of a decision point in document CC 74/4/1 as follows: "The Board has considered the financial statements for the period ending 31 December 2011 and the External Auditor's report thereon and adopts them as presented."

68. *The Board adopted the financial statements and the report of the External Auditor for the financial year 2011 and took note of the plan for the audit of the 2012 financial statements.*

C. Report of the Chief Internal Auditor for the year ended 31 December 2011

D. Audit Charter

69. *The representative of the Office of Internal Audit and Oversight (IAO), Mr Watson*, presented both documents. [8] He highlighted the fact that the overall approach, consistent with that outlined at the previous year's Board meeting, was a risk-based approach. Two papers were presented, including a summary of work undertaken and significant findings in 2011, and an Audit Charter submitted for consideration and approval.

[6] CC 74/4/1.

[7] CC 74/4/2.

[8] CC 74/4/3 and CC 74/4/5.

70. He said that two audits had been undertaken in 2011. The first was a review of the management of income generated from training activities. The report on that audit had been presented at the previous year's Board meeting, and in 2012 the Centre had prepared a paper on follow-up actions taken. He confirmed that he was pleased with the Centre's actions, which were addressing many of the issues identified. The audit on IT security had been finalized in early 2012. It included an assessment of both the technical and the management side of IT security, as well as a vulnerability assessment. The audit revealed many positive aspects of the Centre's IT security, including a structured management approach and a business continuity plan. Areas identified for improvement included medium and low risks associated with access to websites; password controls; the methodology for granting, modifying and removing user access rights; and the classification of all information assets, whether electronic or paper-based, to protect their sensitivity and confidentiality. He noted that all technical shortcomings had been addressed during the audit or shortly thereafter. Management continued to develop policies and procedures regarding IT security.

71. He then presented the Audit Charter, explaining that it complemented the Financial Regulations revised the previous year. [9] Best practice in the field of internal audit was that there should be an Audit Charter approved by the highest level authority, which was the Board. That underpinned the independence of the internal audit function. It set out its scope and mandate and was important to strengthen oversight and governance in an organization. He pointed out an error in paragraph 2 of the Charter, which should read "article 18(d) of Chapter VIII" rather than "article 19(d) of Chapter VII" of the Financial Regulations.

72. *The Employer Vice-Chairperson* noted that his group remained concerned about the high costs of the training function, particularly as a result of the CFC. He asked whether the audit would address that, because it was seen as a handicap to the Centre in terms of competitiveness.

73. *The Worker Vice-Chairperson* took note of the report for 2011 and looked forward to the next report on the costing of training activities. The group supported the point for decision on the Audit Charter.

74. *The Government Vice-Chairperson* raised a question with respect to the audit on cost-sharing activities in terms of how cost-sharing was reflected in the financial statements. On the Audit Charter, she also asked why the Internal Auditor was not able to make contact with third parties that had a relationship with the Centre and that might have information relevant to an audit.

75. *The representative of the IAO* replied that the cost-sharing methodology was important because it was central to the core business of the Centre, which was the delivery of training activities. He clarified that it was important to have in place a methodology to ensure that all costs, whether fixed, variable or overhead, were properly apportioned so that management had information to set prices and determine contribution to fixed costs. He explained that the audit would be more detailed than the financial statements because costs would be analysed per activity rather than at the global level. With respect to the Audit Charter, he noted that depending on the terms of a contract, the Centre might be given access rights to review documentation, but that generally internal audit could not compel a party external to the Centre to provide access to personnel or documentation.

[9] CC 74/4/5.

76. *The Board took note of the internal audit report for 2011. The Director was requested to take into account the comments and guidance provided by the Board.*

77. *The Board adopted the Audit Charter presented in document CC 74/4/5, subject to a correction to paragraph 2, which should refer to article 18(d) of Chapter VIII of the Centre's Financial Regulations.*

E. Follow-up to the recommendations of the Chief Internal Auditor for the year ended 31 December 2011

78. *The Board took note of the document.* [10]

V. Human resources questions
(Fifth item on the agenda)

79. *The Director of Human Resources Services, Mr Villemonteix,* presented the document, which took into account the recommendations of the ICSC and requested the Board to authorize the Director to give effect to them at the Centre and to take note of the exceptions approved by the Director to the Staff Regulations. [11]

80. *The Worker Vice-Chairperson* stated that his group accepted the ICSC recommendations set out in the document, subject to approval by the United Nations General Assembly, authorized the Director to give effect to them, through amendments to the Staff Regulations, as necessary, and took note of the exceptions approved by the Director to the Staff Regulations.

81. *The Employer Vice-Chairperson* indicated the group's support for the point for decision contained in the document.

82. *The Government Vice-Chairperson* requested clarification on the sequence of the work in the ICSC leading to the formulation of such recommendations.

83. *The representative of the Government of Germany* asked how the salaries of General Service staff were adjusted.

84. *The Director of Human Resources Services* briefly explained the procedure leading to the formulation of recommendations by the ICSC to the United Nations General Assembly for adoption in December. On the proposed 0.12 per cent increase in the base/floor salary scale for staff in the Professional and higher categories, he pointed out that it was the result of a comparison between salaries at the reference grade in the international civil service and the equivalent level in the United States Federal Civil Service, which was the highest paid in the world. With regard to the salary adjustment for the General Service category of staff, he said that the Centre applied the methodology applicable to Rome. A survey of prevailing conditions of employment in the Rome-based international organizations was carried out every five to six years. If the survey resulted in a decrease in the reference comparator pay level, salaries were not increased. Concerning the proposed freeze in salaries of staff in the General Service category, the Centre would align itself on the

[10] CC 74/4/4.

[11] CC 74/5.

decisions taken by the Council of the Food and Agriculture Organization of the United Nations (FAO).

85. *The Board approved the point for decision contained in paragraph 13 of document CC 74/5.*

86. *The Chairperson,* following the normal procedure, invited the Board to listen to a statement by the Chairperson of the SUC (see the appendix).

VI. Reports of the Trade Union Training Committee and the Employers' Training Committee (Seventh item on the agenda)

87. *The Worker Vice-Chairperson* presented the report of the Trade Union Training Committee. [12] He emphasized the crucial importance of training for trade unions and requested the management of the Centre to take account of the recommendations set out in the document.

88. *The Employer Vice-Chairperson* presented the report of the Employers' Training Committee. [13] He recalled that the Employers' Activities Programme delivered excellent results in terms of both quantity and quality, with a particularly positive impact on employers' organizations, and requested that the Centre continue to invest financial and human resources in employers' activities. He considered that future prospects were promising, provided that the operational framework evolved towards improved integration and synergy with the ILO, focusing on the quality and value added of training, with a reduction in general costs, which were not to be confused with staff costs. He concluded by asking the management of the Centre to continue its efforts to promote participation by the social partners in other Centre activities, and the academies in particular.

89. *The Board took note of both documents.*

VII. Date and place of the next session (Eighth item on the agenda)

90. *The Chairperson* proposed that the 75th Session of the Board of the Centre be held just before the 319th Session of the Governing Body of the ILO, which would be held in Geneva from 17 to 31 October 2013. The exact date would be communicated to members.

91. *The Board approved the Chairperson's proposal.*

[12] CC 74/7/a.

[13] CC 74/7/b.

VIII. Other questions

A. Delegation of authority to finalize the report of the Board

92. *The Chairperson* informed the members of the Board that the report of the 74th Session of the Board would be considered in the Institutional Section of the 316th Session of the Governing Body. He proposed that, in order to facilitate the preparation and finalization of the report, the Board should delegate the task of approving the draft report to its Chairperson and Vice-Chairpersons.

93. *The Board approved the Chairperson's proposal.*

IX. Closure of the session

94. *The Chairperson* thanked the participants for their contribution and closed the 74th Session of the Board.

Turin, 5 November 2012

Appendix

Statement by the Chairperson of the Staff Union Committee to the Board of the Centre
(2 November 2012)

Chairperson and the distinguished members of the Board,

Breaking with the well-established tradition of the ITC–ILO Board, whereby the Staff Union has always had the opportunity to address the members of the Board on the second day of the meeting, the Staff Union has chosen to share our views and concerns on the eve of the Board Meeting. The Staff Union hopes that as a result of this action the members of the Board of the ITC–ILO will be in a better position to provide informed guidance to all of us, the staff and the management of the Centre who are jointly responsible for implementing the decisions of the Board.

The ITC–ILO is currently facing uncertain times due to external financial challenges which have increased internal tensions and anxiety among staff. In addition, the adoption of certain measures to reduce costs – which have implications for the working conditions of staff and have been taken without proper consultation and negotiation with the Staff Union – is contributing to the erosion of the long-standing tradition of social dialogue and collective bargaining in the Centre.

The Staff Union held a general assembly on 3 October 2012 to update members on staff relations issues and review the situation facing the Centre, as well as the difficulties that various staff members have been facing. Of the members of the ITC–ILO Staff Union present, 98 per cent voted in favour of submitting a document entitled "Manifesto" to the Director of ITC–ILO.

In the document, the Staff Union Committee (SUC) put forward the following proposals with regard to the present financial crisis facing the Centre:

(i) Give greater **visibility** to current management efforts to mobilize new funding streams.

(ii) **Streamline rather than further complicating internal procedures and processes** with a view to facilitating the work of the staff, maintaining the Centre's agility and ability to carry out its mandate and improving the Centre's responsiveness to new opportunities that may arise.

(iii) Consolidate a **"professional" marketing and external relations** function that would be 100 per cent dedicated to the promotion of ITC–ILO training and learning products, particularly with non-traditional sponsors.

(iv) Ensure that **training programmes are adequately staffed**, both in terms of training expertise and administrative skills, so that they can maintain their level of productivity.

(v) **Institute meaningful consultations with staff and the Staff Union Committee in an open and transparent manner when undertaking changes that directly affect staff** so that staff can work together towards the agreed goals. This would help to preserve the level of staff engagement in the ITC–ILO which has historically been a key strength of the Centre.

In the same document, the Staff Union Committee also demanded the following:

(a) that Management abide by the provisions of the Collective Bargaining Agreement signed by the Staff Union and the ITC–ILO management;

(b) that the long-awaited specific policy on short-term appointments be developed with immediate effect and that it be disseminated within the ITC–ILO following a meaningful and constructive social dialogue with the SUC on the said policy.

Finally, the SUC **called on management to respect the rules of procedure of the Joint Negotiation Committee** in the interest of ensuring that it serves as a tool for **constructive discussion and decisive negotiations** undertaken in the interest of all staff.

The SUC met with the Director on 10 October 2012 to discuss the Manifesto and wishes to acknowledge the willingness demonstrated by the Director to engage in a constructive dialogue with the aim of finding mutually acceptable solutions. In the course of this meeting, it became apparent that there is a broad agreement between management and the staff on certain issues raised in the Manifesto, such as the need to improve communication with Staff on resource mobilization efforts and the progress being made to streamline certain internal procedures and processes, and to improve the promotion and marketing of ITC–ILO products. There was also agreement on the importance of viewing the Centre as a single entity in which all units are treated equally, including when it comes to considering human resources needs.

Despite this recent encouraging dialogue with the management of the Centre, the SUC remains extremely worried about the employment situation at the ITC–ILO. There is a high level of precariousness: according to the latest HRS staff list dated 1 October, 26 per cent of the Centre’s staff has either a fixed-term project-based contract (not to be confused with staff assigned to technical cooperation projects similar in nature to those within the ILO, since appointments of this nature only concern very few staff at the ITC–ILO) or a short-term contract, almost entirely concentrated in training departments delivering activities in core areas of the ILO mandate on a recurring basis.

As the Staff Union has reiterated in the past, it holds the view that the staff represents the Centre’s biggest asset. It is the staff competencies that have been, and remain, the major factor behind ITC’s reputation and growth as an institution of excellence in training. But this essential strength of the ITC, the result of high flexibility, minimal bureaucracy, staff motivation and social dialogue, has been dissipated lately by administrative and management practices that are causing alienation and stress among staff. This was also reflected in the results of the 2012 staff stress survey.

Staff motivation and spirit of initiative have ensured that earnings from training activities have not only consistently been greater than staff costs; they have also resulted in the generation of a surplus, as may be seen in Board documents from recent years. Income from training activities (a proxy indicator of staff efforts) continues to remain the highest contributor to the Centre’s income (€25.7 m in 2010, €26.9 m in 2011, €24.5 m estimated for 2012 and €22.9 m budgeted for 2013).

Yet the long-standing use of fixed-term project based/short-term appointments has created a separate category of 49 staff members who do not receive the same treatment (in terms of contract renewal, contract duration) as their fellow regular budget colleagues, despite the fact that these staff members contribute equally to the achievement of these results, carrying out exactly the same kind of work.

The Staff Union Committee has been urging the management:

(1) to follow the same process of contract renewal for all fixed-term staff whether they are regular budget or project based;

(2) to adopt a staffing plan with a long-term view that allocates human resources on a rational rather than an ad hoc basis that also:

- values the skills and experience of staff who have served the Centre for many years;
- sets specific targets to transition “long-serving short-term staff” (there are only a few remaining), as well as fixed-term project-based staff onto regular budget fixed-term contracts; and
- promotes the retention of staff who have acquired work experience in the Centre and have shown that they can help the Centre to fulfil its core mandate.

Such a plan must be accompanied by a **consistent** recruitment policy anchored in the following key principles:

- adequate and balanced staffing of all the Centres’ departments;
- application of well-established criteria for the opening and filling of vacancies;
- regularization of project-based and long-serving short-term staff.

With regards to relations between the ITC and the ILO, the SUC has urged the new Director-General to recognize the role of the ITC as an integral part of the ILO, even though it has a separate governance structure. The SUC is of the view that there is greater scope and necessity for the ILO to support the Centre – both financially and in terms of work. In particular, the SUC has urged for the following:

- A major role for the ITC in the delivery of capacity-building activities for the constituents (under the ILO’s technical cooperation programmes and projects).
- At the staff level, the ITC and the ILO must be considered as a single organization and ITC staff must be considered as “internal” for the purposes of ILO vacancies and vice versa. It is essential that staff movement between the ITC and the ILO should not lead to any break in service for the staff: posting to the ITC should mean the same as posting from Geneva to a field office of the ILO and vice versa. Improved opportunities for mobility between the ITC and the ILO would be mutually beneficial for the career development prospects of all staff, whether in Geneva, Turin or a field office.

Concluding remarks

The Staff Union urges the members of the Board to push strongly for the above measures, not only in the interests of ensuring the welfare of all staff but also in order to preserve the ITC’s continued capacity to contribute to the achievement of the ILO’s mandate, especially with regard to capacity building in ILO constituents as it weathers the present period of uncertainty.

Thank you.