

GUIDELINES

FOR INTERNATIONAL TRADE UNION DEVELOPMENT COOPERATION

GUIDELINES

Preface

The Nordic trade union organisations and FNV (the Netherlands) have agreed upon joint guidelines to facilitate international co-operation and communication between partners.

As funding organisations, we hope that these guidelines will help us meet requests for assistance from trade union organisations in our own countries as well as from the International Confederation of Free Trade Unions (ICFTU), Global Union Federations (GUFs) or trade unions in developing countries.

We have tried to make the information contained in this document as clear and straightforward as possible. To some extent, the different funding organisations apply different criteria and conditions for financial support; this is because we also make use of public funds made available by our respective governments' international co-operation agencies. Where possible, however, we have harmonised our requirements.

These guidelines should serve as models for how to build partnerships, improve and strengthen co-operation and simplify the necessary administrative tasks at all levels.

These Nordic-Dutch Guidelines are supplemented by a few annexes: the Handbook of Participatory Project Planning part I and II, a format for the auditor's report on the financial statements and a project application form. They should be regarded as useful tools, not as absolute requirements.

The guidelines are available in English, Spanish, French, Russian and the Nordic languages.



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1. Introduction

1.1 The organisations behind trade union support

Trade unions in the Nordic countries and the Netherlands have been engaged in international trade union solidarity work for many years. An important element of this work involves supporting programmes and projects whose object is to strengthen the trade union movement in Africa, Asia-Pacific, Latin America and Central and Eastern Europe.

Co-operation may be organised on a multilateral or bilateral basis. Multilateral projects are co-ordinated through the ICFTU, the GUFs and to some extent the International Labour Organisation (ILO). Bilateral co-operation takes place directly between the trade union organisations in the Nordic countries/Netherlands and those in developing countries.

In all the Nordic countries and the Netherlands, these types of project co-operation are financed by the trade union movement's own funds as well as by public funds. A large proportion of public funds comes from tax revenues and it is important that these can be used for the benefit of the international trade union movement in defence of workers' rights. Funds from the European Union (EU) are also available in some cases.

In Denmark, the LO and the FTF have established the Danish Trade Union Council for International Development Co-operation (hereafter referred to as the LO/FTF).

In Finland, the Trade Union Solidarity Centre (hereafter referred to as SASK) is the solidarity organisation of the Finnish trade union movement.

In the Netherlands, the FNV has a department (called FNV Mondiaal) for international co-operation within its confederation (hereafter referred to as FNV).

In Norway, co-operation takes place within the framework of the international department of the LO (hereafter referred to as the LO-N).

In Sweden, the LO and the TCO have established the Secretariat of International Trade Union Development Co-operation (hereafter referred to as the LO-TCO).

All national centres involved are affiliated to the ICFTU and, at European level, to the ETUC.

1.2 Co-operating partners

Requesting organisations

Field organisation: In the case of bilateral projects this is the organisation that implements the project in the developing country

International organisation: In the case of multilateral projects the project proposal is presented under the responsibility of a GUF or the ICFTU. In this case the international organisation is responsible for the monitoring, administration and, in some cases, implementation of multilateral projects. At field level, national affiliates are usually responsible for implementation

Funding organisations

In the Nordic countries and the Netherlands, these are the *solidarity support organisations* of LO/FTF, SASK, FNV, LO-N or LO-TCO. They are accountable to the trade unions and the governments of their respective countries.

1.3 Division of responsibilities between co-operating partners

1.3.1 Procedures for project funding

Proposals for multilateral projects are usually forwarded to the funding organisation via the Global Union Federations (GUFs) or the regional organisations of the ICFTU. These organisations will study the proposals and decide, on the basis of the criteria given in the current guidelines, whether to recommend them to the funding organisations.

The field organisation and the funding organisation deal directly with projects proposed for bilateral funding.

A project can also be co-financed by two or more funding organisations.

The funding organisations will in all cases decide whether to give final approval.

1.3.2 The role of the requesting organisations

The division of responsibilities between the co-operating partners in a project is set out in a contract. The requesting organisations signing this contract are responsible for the implementation and management of the project. By signing the contract, the requesting organisation is committed to implementing the project according to the approved plan and budget and to providing the funding organisation with the necessary reports and audited financial statements according to the directives contained in these guidelines.

1.3.3 The role of the funding organisations

The funding organisations are committed to providing the funds according to the approved budget, monitoring the project and contributing technical assistance as agreed. The funding organisations are responsible for following the progress of implementation and assessing and evaluating the programmes / projects. This is achieved through working visits, interim assessments and monitoring through reports and internal or external evaluations, in co-operation with the partners involved.

The funding organisations must comply with national development co-operation policies and agreements signed with their Ministries for Foreign Affairs and/or funding agencies for international development co-operation, and must ensure that the funds are used in accordance with mutually approved plans.

2. Aims and objectives

The overall objectives of the international trade union development co-operation include support for the UN Millennium Goals, abolishing poverty, hunger, and social and economic inequality and promoting democracy, human rights, gender equality, sustainable development and global security and social dialogue.

International trade union co-operation seeks to achieve these aims by supporting the development of strong, democratic and politically and financially independent trade unions and organisations that represent and defend the rights and interest of working women and men.

Globalisation is bringing increasing mutual interdependence. One of the most pressing tasks facing the international trade union movement is to address the power and influence of Multinational Enterprises (MNEs) as part of a trade union response to globalisation. The combination of the growth of foreign direct investment, technological changes, international financial markets and a wide range of deregulation and privatisation measures have made it possible for MNEs to be in the driver's seat of the global economy.

The challenge facing the international trade union movement is to ensure that companies respect workers' rights in every part of the world where their influence is felt and to establish a genuine global dialogue between unions and MNEs.

The strength of the trade union movement lies in collective action. The funding organisation of the international trade union movement designs its policies and acts jointly with its partners. Such co-operation is not a neutral process. Choosing partners, countries and projects involves making political assessments and choices. This distinguishes the projects of the funding organisations from humanitarian assistance and emergency aid.

Democratic organisations are a prerequisite for the evolution of democratic social systems. The trade union movement can play a decisive role in this area. Funding organisations set great store by the development of democratic unions and thus the promotion of democratic societies.

Many of the requesting organisations can be considered as co-operating partners, and are well-established with long traditions. It is therefore vital that our goal in development co-operation is consistent with the goals and priorities of these partners.

Equality between women and men is one of the basic principles of trade unions and is inseparable from democracy, justice and human rights. Striving for gender equality means striving for an equal society and working life, where women and men have equal rights, obligations and opportunities.

The Nordic/Dutch trade union movement aims to strengthen the international trade union movement. An essential part of project co-operation is therefore co-ordination with the Global Union Federations (GUFs), the ICFTU and its regional organisations.

3. Criteria and conditions

3.1 Basic principles and areas of co-operation

Co-operation is primarily aimed at supporting trade union organisations in their own development. Where such organisations do not yet exist, project co-operation should be part of a process to promote the formation of such trade unions to help them become democratic and independent.

Support may also be given to organisations linked to trade unions, providing services like research, training and education or working closely with them on issues such as organising workers in the informal sector, fighting for the improvement of women's living and working conditions; it can also be provided to organisations that promote and defend trade union and human rights through labour law development.

All projects should be designed in a participatory way. Participation analysis is aimed at getting a clear picture of the parties that are related to the problematic situation and defining their roles in the realisation of improvements. Their role in project planning, implementation and monitoring should be established.

The design of a project should contribute directly or indirectly to the development and strengthening of an independent, representative, self-reliant and democratic trade union movement. The project may focus on:

- Capacity building
- Institutional development
- Organisational strengthening
- Building TU education structures
- Development of shop stewardship
- Organising membership
- Promoting collective bargaining
- Promoting health and safety at work, fighting HIV/AIDS
- Building TU women's structures and activities
- Research on various political, economic and trade union issues
- Information and campaign activities
- Monitoring social responsibility of multinational corporations.

All programmes should integrate elements of labour rights. This applies especially to the need to understand the contents and significance of the ILO core conventions as stated in the Declaration on Fundamental Principles and Rights at Work, adopted by the International Labour Conference in June 1998, and its follow-up. Co-operation partners should be encouraged to use these Conventions in countries that have ratified them and promote their signature and ratification in those that have not.

Projects covering one or more regions may be supported, as may projects for the creation of networks between countries and regions.

3.2 Participatory project planning

There are different ways for trade unions to develop and strengthen their organisation. A thorough analysis of the organisation is a first step in identifying the main challenges and obstacles involved. Some of the obstacles might be dealt with in the form of a project or programme for which external funding is sought. The funding organisations are prepared to co-operate in the process of organisational development by, among other things, providing financial support for projects and programmes. They should implement and support the strategy of the requesting organisation.

Careful planning and preparation are the foundations of effective project co-operation. An important prerequisite is that the parties involved trust and understand each other. This requires that they have good communication from the very beginning.

The funding organisations use a participatory project planning approach to facilitate communication in order to:

- Promote the problem analysis, ownership, empowerment and sustainability of the requesting organisation
- Clarify and define objectives, expected results and the activities required for their achievement;
- Explain the links between objectives, expected results and means;
- Create a common understanding of the project as a platform for continued work;
- Monitor, report on and evaluate the project.

This planning approach is presented in part I and II of the “Handbook of Participatory Project Planning”, of which part II can be used as a guide in writing a project proposal. In planning and formulating their project proposals, the requesting organisations are asked to use this approach so that progress towards the objectives and the results of a project can be assessed both in terms of its content and the financial aspects.

3.3 Co-operation for self-reliance

The funding organisations are there to support the trade union organisations in their own development efforts. All parties have a common interest in ensuring that co-operation leads to the strengthening of the field organisation (or the affiliate of the GUF in the field) in order to avoid the risk of economic dependency so that in due time activities can continue without the need for external support.

This implies that the scope of the projects must be proportional, as far as possible, to the human resources and financial circumstances of the field organisation.

The project must be oriented towards assisting the field organisation to become self-reliant as external support is phased out. There should be a contribution from the field organisation from the very beginning of the project.

The aims of the project must be set within a realistic time schedule and include a time frame for a gradual phasing out of support.

3.4 Monitoring, assessment and evaluation

Monitoring is a tool for project management, for both project managers and the organisations involved in the project. It aims to provide project managers and supervisors with the necessary information to identify and analyse factors affecting the realisation of the expected results of the project. Based on this information, adjustments can be made in the implementation of the project. External expertise can be brought in if necessary.

Monitoring of projects includes regular assessments and follow-up of progress in achieving the expected results. Men and women from the target groups should be involved in analysing this progress to ensure that their needs are fully taken into account. By agreement with the funding organisation, the findings of the monitoring process will be communicated in reports. The format of these reports is included in the agreement, but they must be based on the indicators that were formulated in the original project proposal.

Internal assessments may be complemented by external evaluations. An evaluation is a deeper and broader analysis of the implementation of projects and programmes, with the aim of learning lessons for future activities and providing a basis for policy development. An evaluation is normally carried out when the project is finished and sets out to assess the extent to which the situation addressed by the project has changed, and in what ways the activities have contributed to these changes.

External evaluations should be carried out by independent experts with relevant trade union and professional experience and gender awareness. In most cases, a team will be nominated by the funding organisation together with the requesting organisation.

In all cases terms of reference (TOR) should be developed as the basis for the evaluation. The terms of reference should specify at least the aims and objectives of the evaluation, the methodology, the staffing, a timetable and a budget. They can be drawn up either jointly by the co-operating partners or by one of them, in consultation with the other.

4. Application

4.1 The content of a project application

The funding organisations have agreed on a joint application form, which is attached as an annex to the guidelines. The structure of this form is linked to part II of the Handbook of Participatory Project Planning, as well as to individual funding organisation's administrative procedures for a given project.

Projects presented along these lines will simplify communication between the partners and facilitate project administration.

4.2 Budget

In principle, the budget must be presented in the currency of the country in which the expenditure occurs and must include funds allocated for the project by the field organisation, income from other sources and funding applied for from the funding organisation.

If a project has income from sources other than the funding organisation to which the application is being presented, this must be reflected in the overall budget.

The proposed budget for the project must be proportional to the financial status and resources of the field and/or international organisation concerned. The field organisation must account for its income and expenses.

When a project covers more than one country or when expenses for assistance from the international organisation to the field organisation are included in the application, these expenses should be given in the currency used by the international organisation (for example, USD, EUR or CHF).

Any substantial changes in the project activities and hence in the budget must be agreed on in advance by the funding organisation. The budget is always an integrated part of the project proposal.

The following principles are guiding programmes and/or projects funded by the Nordic-Dutch trade union organisations:

General costs

Only costs necessary for carrying out the project can be included in the project budget. The budget must establish a clear link with the activities listed in the planning of the project. The funding organisations primarily fund activities, while the material infrastructure (like office buildings, transport means) and fixed charges relating to the normal running of the requesting organisations should be financed by themselves.

Allowances

The sound principle of any trade union activity is that the participants do not need to make financial sacrifices in order to attend such an activity nor should they benefit economically from participation.

1. Travel costs are reimbursed according to the actual costs based on the most cost efficient travel. Business class flight prices are not compensated. When receipts cannot be obtained in local transport, the lowest transportation cost obtainable will be paid.
2. Per diems are not paid but actual expenses of participants (accommodation, food) will be covered. If food is not provided, a reasonable food allowance can be paid.
3. Loss of wages is not normally compensated by the funding organisation

Salaries

1. Involvement of permanent trade union staff in a project can be covered by the funding organisation when the contribution is not part of the regular duties/tasks of the person in question. Payment will take place in the form of a specific fee or remuneration for the particular activities. The activities should be clearly described in writing and budgeted in time and financial compensation.
2. Long-term involvement of staff in a project requires that the person is specifically appointed and a job description drawn up in agreement with the funding organisation.
3. Salaries, fees or remunerations paid in a project should be related to national salary levels and not to international consultancy standards.
4. Organisations involved in implementation of a project are recommended to pay a contribution to the salaries of the project staff.

4.3 Submission of applications

Applications must be sent to each funding organisation before the previously agreed dates. A first indication of approval will be given within three months.

4.4 Contracts

Once the form of co-operation has been agreed upon, the partners will draw up a project contract in which rights and responsibilities are set out. The final mutually agreed budget is always explicitly stated in the project contract between the requesting and the funding organisation.

4.5 Principles of Accounting and Auditing

4.5.1. General

Trade union organisations, whether national unions or national centres, should establish their own accounting system and financial regulations which should be followed up by appropriate internal control and auditing. These regulations should be transparent and easily accessible to co-operating partners, as well as to members.

The aim of these guidelines is to assist the project partners in developing their internal control and accounting systems and to support the capacity building of the project partners in their financial administration.

The principles set below are the minimum requirements of the Nordic-Dutch trade union organisations for accounting and auditing projects.

4.5.2 Accounting principles

Accounting system:

Accounts should be prepared in accordance with these Nordic-Dutch Guidelines and the project contract between the parties.

To offer a reliable picture of the income, expenditure and financial situation of the project, the accounting system of the implementing organisation will require the following as a minimum comprehensive basis of accounting:

- Vouchers (original accounting documents),
- Journal (transactions entered in chronological order)
- General Ledger (summary book of accounting),
- Balance Sheet and Inventory, when applicable

Income:

The project income is the project funds received, union contributions, and other income such as other donations for the project or interest accrued. The project income shall be reported using the actual amounts received.

Interest accrued from project income must be treated according to the national legislation of the country of the funding organisation and the regulations of the funding organisation. It is regarded as either project income or the income of the funding organisation.

Expenditure:

Project expenditure must be properly measured and reported. Expenditure is based on the budget approved by the funding organisation.

Expenditure not included in the approved project budget will not be accepted as project expenditure without prior written approval from the funding organisation. Auditing costs can be included in the project budget.

In principle, the budget is in one currency. Expenditure must therefore be reported in the same currency as the approved budget. If expenditure is defrayed in various currencies, translations are made to the budget currency, at the transfer or average transfer rate.

All fixed assets are to be expensed in the year of purchase.

Accruals:

In principle, expenses are accounted for on a cash basis; however, project accounts could include accruals for goods or services received before the reporting period ends or services directly linked to that accounting period (e.g.: audit fees).

Foreign Currency translation:

Each transfer received or sent should be converted on the date of the transaction. The expenditure items can then be translated at the average of the actual exchange rates. Handling of any exchange rate losses or gains shall be agreed upon between the parties.

Project financial reports

The financial reports should include a statement of income and expenditure compared to the project budget. Deviations from the approved budget should be explained. If the project covers more than one year, the possible closing balance of the previous year/project period must be carried forward as an opening balance of the following year/project period. Project financial reports should also include information on the transfers made from intermediary organisations to local organisations. Transfers must be reported in the currency of both the intermediary organisation and the local implementing organisation. All financial reports must be signed by the appropriate leaders of project implementation.

4.5.3 Auditing

The aim of auditing is to examine the accounts of projects to obtain a reasonable assurance that the accounts are free from material misstatement. An audit also includes assessment of the accounting principles used and significant estimates made by the management, as well as an evaluation of the overall financial statements. The funding organisation can request that the audit must include an evaluation of the internal control system and comments on any weaknesses the auditor has detected as part of the audit.

The funding organisation may communicate directly with the auditor.

Each project financial report must be audited separately by a Chartered Accountant. Before the start of a project, the time frames that the audit will cover (calendar year-based or project period-based where projects last more than one year) shall be agreed upon between the parties.

The audit should be carried out in accordance with generally accepted auditing standards (ISA).

An audit should cover all income and all expenses of the project, whether at international, regional, national and/or local level. Each level of auditing should form the basis for the audit at the next level, starting at the local level.

Auditor's report on the financial statements

The report should include the following information:

1. Identification of the project

- Project title
- Project number/reference of funding organisation
- Implementing organisation
- Date of the project agreement
- Reported period
- Total eligible expenditure reported

2. Statement of the nature and scope of audit

- Reference to the ISAs (International Standard on Auditing) and / or relevant national legislation and standards
- Identification of the financial statements audited, description of the work the auditor has performed

3. Conclusion and statement of audit (opinion paragraph)

The auditor's report should clearly state the auditor's opinion as that:

- The expenses and income comply with the implementing organisation's bookkeeping
- The financial statements are free of material misstatement
- All expenditure pertains to the project and is according to the approved project budget
- The funds have been utilised in accordance with the project agreement / guidelines / budget / project plan

4. Summary of the finances

The auditor's report should preferably be accompanied by financial statements, which are identified by the auditor. The auditor's report should at a minimum contain a summary of the project's financial report, i.e.:

- total project income (including balance of previous project period)
- amount of expenditure
- closing balance

5. Date of report

6. Auditor's signature

5. Reports

5.1 Different project reports requested

All reports pertaining to a project must be structured in accordance with agreed plans and budgets.

The Nordic/Dutch funding organisations require the following types of reports (the requirements vary with the type of agreement with the specific funding organisation):

1. *Mid-term report*: a purely financial report, i.e. to see if all allocated funds will be used.
2. *Progress report*: a brief summary of activities and expenditure related to the approved budget and an indication of project funds needed for the following months. The financial part of the progress report has to agree with the structure of the previous technical content of the report. The financial report should have as a starting point the approved budget that has been stated as part of the original contract.
3. *Annual report*: a full report on activities and finances. Adjustments in planning must be stated here as well, expressed in adjustments of indicators and the consequences for the budget. The financial report should include a statement of income and expenditure. If the project costs are partly covered by the field organisation (or any other external organisation), this should be clearly indicated. Chartered accountants according to the agreements made between the co-operating partners must audit all annual financial reports. Auditing costs can be included in the budget.

Reports must refer to the indicators set out for that particular year in the original project proposal as indicated in the Handbook for PPP. They must be as factual as possible to show whether progress has been made in relation to the project objectives and planned results.

4. *Final report*: When the project is completed, a final report covering the whole project period should be submitted to the funding organisation. The report should present an analytical overview of the entire project period with an assessment on how the project objectives were met and which were the impacts. The report should:

- Relate to the project document;
- Show to what extent objectives have been met and target groups reached;
- Indicate unforeseen positive or negative effects and results;
- Compare the actual implementation with the work plan and timetable;
- Analyse difficulties and progress made during the implementation of activities;
- Describe the impact of the project on target groups, with special reference to women and men;
- Describe the experiences of participating organisations;
- Indicate lessons learned, for example, whether there might have been other and possibly better ways to achieve the same objectives;
- Indicate if there are problems remaining to be solved and how the process is expected to continue;
- Describe how the results of the evaluation are going to be used for Activities and projects in the future.

The final report shall also, as stated in the contract, include a financial report covering the whole project period, i.e., income and expenditure. If stated in the contract, a chartered accountant shall audit the financial report.

5.2 Balances

At the end of each financial year, the balances should be reported. For ongoing projects, the balances will be deducted from the transfer of the allowance for the new budget year. For completed projects, the remaining funds should be transferred back to the funding organisation.

5.3 Submission of reports

Reports must be submitted to the funding organisations before the dates that have been agreed by the funding and requesting organisation.

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