



**Second item on the agenda:
Programme and budget proposals
and other financial questions**

**Report of the Finance Committee of
Government Representatives**

1. The Finance Committee of Government Representatives met on 4 and 5 June 2003 with Mr. J-J. Elmiger (Switzerland) as Chairperson and Reporter and Mr. L. Mantilla Huerta (Ecuador) as Vice-Chairperson.

**Requests for permission to vote in accordance with
paragraph 4 of article 13 of the Constitution of the
International Labour Organization**
(First item on the agenda)

2. There were no papers under this item.

Status of collection of member States' contributions
(Second item on the agenda)

3. The Committee had before it document C.F./D.2 containing information on the status of collection of member States' contributions as at 30 May 2003.
4. The representative of the Director-General (the acting Treasurer and Financial Comptroller) reported that, in addition to the information contained in the Office paper, contributions had since been received from the following member States:

Country	Swiss francs
Swaziland	6 930
Malawi	6 046
Bahrain	64 755
Latvia	35 280
Total	113 011

5. The Government member of Lebanon stated that the contribution from her Government for 2003 would be received by the Organization shortly.

6. *The Committee took note of the information in the document.*

Treatment of surpluses – Amendments to the Financial Regulations
(Third item on the agenda)

7. The Committee had before it Report II: Draft Programme and Budget for 2004-05 and other financial questions, containing a draft resolution concerning amendments to the Financial Regulations.
8. The Government member of France recalled that her Government had previously expressed strong reservations with regard to the proposal to amend the Financial Regulations, which had been submitted to the Governing Body in March. She still believed that the proposal did not constitute the best way of dealing with the problem of payments in arrears. It created a precedent for other United Nations agencies and was an encouragement to those States which did not meet their obligations rather than a resolution of the problem of arrears. She recalled France's objections to the Special Programme Account intended to finance high-priority activities and the amendments proposed by France in March: it was not a question of programming logic, and, in addition, high-priority activities were regular budget items only. Such an account would be better used for unforeseen exceptional items. However, she did not wish to oppose a consensus.
9. The Government member of Lebanon explained that, as a non-Governing Body member, she was not as well informed on this issue as other committee members present and requested clarification. Referring to point 3 on page 7, she asked how the surplus had arisen and on what programmes amounts transferred to the Special Programme Account were to be spent.
10. The Acting Treasurer explained that, under the proposed article 18.3, certain surpluses would be transferred to a Special Programme Account. Such surpluses arose when contributions received during a biennium were in excess of the approved expenditure budget owing to the payment of arrears during that biennium.
11. The Government member of India, recognizing that possible amendments to the Financial Regulations had been under discussion for some time, stated that he still felt unable to follow the logic of the proposal. The argument seemed to be that, if programme activities of a particular period were curtailed because of a shortage of funds, once arrears were received during the following biennium, the ILO could engage in more activities than those programmed for the period. It would be more appropriate to borrow from the Working Capital Fund or through one of the ILO's internal borrowing mechanisms when there was a shortfall of contributions. There was no need for a special facility to house arrears which would be used for projects not foreseen within the programme and budget.
12. The Acting Treasurer explained that it was always the Director-General's foremost objective to seek to fully spend the approved budget. Mechanisms such as the Working Capital Fund, which stood at 35 million Swiss francs, enabled him to do that by providing a source of liquidity when contributions had not been received. The rationale of the proposal was to avoid derogations of the Financial Regulations which the Governing Body had recognized in March 2002 as harmful to the financial discipline of the Organization. During discussions in 2002, a distinction had been made between two types of surplus; that arising from underspending which would be returned to member States and that caused by the payment of arrears. Only the latter was to be transferred to the Special Programme Account. This account would be used for priorities that would be identified at a different

point in time from the programme and budget planning cycle but would be in accord with the strategic policy framework. They would all be decided upon by the Governing Body and developed in accordance with strategic budgeting and results-based management principles which would include describing how the proposals link with the funded regular programme of work. They would be time-bound with no expectation of additional future funding.

- 13.** The Government member of India expressed his concern that programmes would be devised by the Organization simply because funds were available. The process should actually operate in the opposite manner with funding being sought after programmes had been identified as worth financing.
- 14.** The Chairperson reiterated that decisions regarding the use of surpluses arising from arrears would be made within the Governing Body where all members would obviously be able to contribute to making the right choices and therefore the best use of resources.
- 15.** The Government member of Australia explained that he was unable to accept the proposed amendments to the Financial Regulations. Contributions should be paid in full and on time and surpluses should be returned to member States in accordance with article 18. Programmes which were genuinely of high priority should be financed within the programme and budget. Derogations should be on an exceptional basis only. He did not, however, wish to oppose a consensus.
- 16.** The Government member of the Russian Federation supported the statement by the Government member of Australia. He wished to confirm the reservations which he had previously expressed on the subject and maintained that surpluses should be returned to member States.
- 17.** The Government member of Canada recognized that the proposal was an attempt to find a solution to the problem of dealing with a derogation from the Financial Regulations on a regular basis. He shared the views of the Government member of Australia with regard to the terms of article 18 but was prepared to accept consensus.
- 18.** The Government member of Turkey commented that the ideal solution would obviously be if all contributions were to be paid on time. However, this had not happened in the past and was unlikely to be the case in the future. He wondered whether use of the word “surplus” was actually appropriate in the circumstances under discussion.
- 19.** The Government member of Brazil explained that he had supported the proposed amendment to article 18 from the outset. During the previous biennium, there had been a lack of resources owing to the late payment of contributions and the Organization had been forced to adjust programmes in order to accommodate the shortfall. When payments of arrears were made in the next biennium, it was only natural for the ILO to apply this money where originally intended, namely to its programmes. If arrears were to be returned to Members, this would represent nothing more than a transfer from one state to another. During the last five bienniums, there had been several occasions when the Governing Body had had to consider what to do with surpluses arising from arrears. Each time, a decision had been made to suspend the Financial Regulations and apply the largest part of the surplus to ILO programmes. Rather than having such a discussion every two years, it would be preferable to incorporate the solution into the Financial Regulations. He was able to support the intent of the proposal although the wording gave him some concerns. As there now seemed to be no mechanism for any part of a surplus to be returned to Members, he would have preferred to see greater flexibility in the wording of article 11.9.

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- 20.** The Government member of the United Kingdom supported comments made by Australia, Canada and France. She continued to have reservations about the proposed amendments as she had explained in previous Governing Body meetings. However, she recognized that there seemed to be a majority in favour of the proposal and did not wish to oppose consensus.
- 21.** The Government member of Japan wished to ensure that expenditure from the Special Programme Account on emergencies would not entail future obligations. The funding of the Account should also be considered by subsequent Governing Body meetings. According to article 18.3, surpluses from payment of arrears would be transferred to the Special Programme Account and he wished to be sure that any use of the Account would be examined before funds were withdrawn. Amendments to Financial Regulations should be considered carefully and he requested clarification with regard to the connection between article 18.3 and article 21.
- 22.** The Acting Treasurer explained that the relationship between the Working Capital Fund and the Special Programme Account was implied in article 18.3. Use of the Working Capital Fund, as provided in article 21 of the Financial Regulations, was firstly to help the Director-General to fully implement the budget and the Fund was regularly used to cover expenditure pending receipt of contributions. Article 21.2(a) stated that the Working Capital Fund was to be repaid when arrears were received and such reimbursement therefore took first priority. Secondly, the Fund, per article 21.2(b), was to be used to cover expenditure on contingencies and emergencies subject to the approval of the Governing Body. Whilst the Governing Body had authorized supplementary expenditure every biennium, this had been funded in the first instance from budgetary savings in Part 1 of the same biennium's budget and then from Part 2 which could cover unforeseen expenditure of up to US\$875,000. Only when these two sources were depleted were calls made upon the Working Capital Fund. The Working Capital Fund had not been drawn upon to cover supplementary expenditure during many biennia. If there were to be expenditure on contingencies or emergencies, as approved by the Governing Body under article 21.2(b), the first source of funding to be used would be temporary surpluses. The replenishment of the Working Capital Fund would take precedence over any transfer to the Special Programme Account. He concluded that the Financial Regulations and the proposed amendment established a clear order for the application of surpluses. They ensured that the replenishment of the Working Capital Fund took precedence, with the result that there could not be additional assessments on member States to replenish the Working Capital Fund whilst surpluses were retained in the Special Programme Account.
- 23.** The Government member of Algeria supported the proposal but believed that its wording was rather confused. There was not actually a surplus, rather a resource which had arisen from the collection of arrears. This problem of semantics gave the impression that the ILO was so financially healthy that it could meet all of its needs by using the surplus. This was obviously not the case as a zero growth budget had been strictly applied during the last 25 years or so and different terminology was therefore required. He reiterated the need for consultation when establishing the high priority activities to be funded by the Special Programme Account.
- 24.** In response to the observations from the Government members of Turkey and Algeria the Acting Treasurer acknowledged that use of the word "surplus" on its own could cause confusion as it now had to be qualified by the type of surplus under consideration. There were two distinct definitions given in articles 18.2 and 18.3 of the draft regulations and, since these were mutually exclusive, there was little risk of misinterpreting which of the articles would apply. The draft regulations embodied simple rules which prescribed what could be transferred to the Special Programme Account under article 18.3 and what would

be returned to Members according to article 18.2. This distinction would be clear to see once the first set of audited accounts of the ILO became available, as these two amounts would be explicitly shown in Statement 1 (Statement of income and expenditure and changes in reserves and fund balances) of the audited accounts.

- 25.** The Government member of Germany supported the statements made by France and the United Kingdom, amongst others, and explained that he was critical of the proposal for two reasons. Firstly, the principle of transparency with regard to budget expenditure seemed to be diminished as a result and secondly, the proposal appeared to sanction those States which did not pay on time.
- 26.** The Government member of Guatemala explained that, as a non-member of the Governing Body, she had not participated in previous discussions on this issue but, as a member of GRULAC, she supported the statement which had been made on the group's behalf. She would prefer to see all of the surplus used to finance activities but was prepared to accept the consensus solution which involved the return of a portion of the surplus to member States.
- 27.** The Government member of Portugal commented that there was a tradition of not reopening in the Conference debates which had achieved a decision by consensus in the Governing Body. He supported the consensus achieved in the Governing Body and continued to do so for three reasons. Firstly, it was important to remember that the issue had arisen in the first place because significant contributors to the ILO had not paid on time. Secondly, as the Government member of Algeria had indicated, the proposal would bring a clear resolution to the problem of how to treat surpluses. Surpluses arising from an underspending of the budget would be returned to members whilst those caused by the payment of arrears could be used for programmes. Finally, if surpluses generated by the payment of arrears were to be returned to Members systematically, this would represent a reward to late paying Members.
- 28.** The Government member of New Zealand stated that, as a principle, surpluses should be returned to member States. Recognizing that a consensus had been achieved at the Governing Body in March, she did not wish to oppose this. She did, however, wish to stress that the projects financed from the Special Programme Account should have an appropriate fit with core programme and budget activities, should represent value for money with clear expectations as to their deliverables and should not give rise to any ongoing financial delivery expectations.
- 29.** The Government member of Pakistan supported the spirit of the proposal. He had understood that it was possible to regard the ILO as under-performing because of the late receipt of contributions. The Organization did not necessarily borrow from the Working Capital Fund and did not intend to place any extra burden on those States which paid on time. He hoped that, by supporting the consensus, he was not sanctioning an underperforming organization. The budget should be fully comprehensive and cater for every aspect of the ILO's activities.
- 30.** The Government member of India commented that it was unclear what the proposal was designed to achieve. The ILO was faced with an inability to spend when contributions were not received but this inability was also structural. The Office had substantial capacity to borrow internally above the Working Capital Fund balance of 35 million Swiss francs. During 2002, it had internally borrowed 30 million Swiss francs. He believed that a better solution would be to have a larger Working Capital Fund which could be called upon to fund activities when contributions had not been received. The Fund would then be replenished later by the payment of arrears. This would ensure that there was a clear

unified programme of regular budget activities without a parallel stream of ad hoc projects. Very few United Nations agencies permitted the development of a second parallel account.

- 31.** The Acting Treasurer explained that the Working Capital Fund balance had actually been reduced by 19 million Swiss francs with effect from 1993 following extensive discussions in the Governing Body and subsequent approval by the Conference. The proposed amendments to the Financial Regulations followed the guidance given by the Governing Body. In March 2002, the Governing Body had asked the Director-General to propose amendments which would ensure that surpluses were treated in an appropriate manner. Accordingly, in November 2002, more specific proposals were discussed within the Programme, Financial and Administrative Committee with regard to the two types of surplus which could arise, followed by the recommendations and draft resolution in March 2003. Many members had stipulated under what conditions the account could be used and the Director-General had confirmed that projects would only be selected in accordance with strategic budgeting principles. The risk of having a series of parallel programmes, or ad hoc projects unrelated to core activities, was limited as use of the Special Programme Account had to be approved by the Governing Body which would address such concerns. Arrangements in other agencies were different and it was difficult to draw comparisons. One agency placed arrears into a miscellaneous income account; one rolled a percentage of amounts not spent into the next biennium whilst another allowed all underspending to be rolled forward within a four-year period; an agency based in Rome permitted amounts under a specific programme to roll forward in order to fund overspending in the next biennium and also had a programme for arrears spending. The Financial Regulations of the ILO foresaw the return to Members of amounts underspent, net premiums and credits from the incentive fund. The proposal seemed an appropriate fit with the other Financial Regulations of the ILO.
- 32.** The Government member of Ecuador supported the proposal and thanked the Office for the clarification given regarding use of the Special Programme Account. The proposal enabled the clear allocation of surpluses.
- 33.** *The Committee recommends that the Conference adopt this resolution, the text of which appears at the end of this report.*

**Proposed gifts of land from the Government of Chile
and the Government of the United Republic of Tanzania**
(Fourth item on the agenda)

- 34.** The Committee had before it Report II: Draft Programme and Budget for 2004-05 and other financial questions, containing a draft resolution concerning two gifts of land to the ILO.
- 35.** The Government member of South Africa, speaking on behalf of the African group, thanked the two governments for their gifts and supported the resolution.
- 36.** *The Committee recommends that the Conference adopt this resolution, the text of which appears at the end of this report.*

Composition of the Administrative Tribunal of the International Labour Organization

(Fifth item on the agenda)

37. The Committee had before it document C.F./D.5, containing a draft resolution concerning the composition of the Administrative Tribunal of the ILO.
38. *The Committee recommends that the Conference adopt this resolution, the text of which appears at the end of this report.*

Programme and Budget proposals for 2004-05

(Sixth item on the agenda)

39. The Committee had before it the Director-General's Programme and Budget proposals for 2004-05, first considered by the Governing Body at its 286th Session (March 2003). The Committee also had before it Report II: Draft Programme and Budget for 2004-05 and other financial questions, containing a report on the consideration of the Director-General's original proposals by the Programme, Financial and Administrative Committee of the Governing Body. Report II also contained a report on the discussion concerning draft scales of assessment for member States' contributions for 2004.
40. The Director-General submitted to the Finance Committee the programme and budget proposals for the years 2004 and 2005 and emphasized that they had been thoroughly discussed in the Programme, Financial and Administrative Committee of the Governing Body held in March 2003. The discussions then had been substantial and highly pertinent suggestions had been presented. The programme and budget proposals had been built on two main objectives. First, a deepening of the Decent Work Agenda as set out in the strategic policy framework, which would extend to 2005, and second, a greater focus on results at the country level. The proposals reflected a significant shift of resources to the regions of US\$6.8 million, equivalent to 10 per cent of their current professional staff budget. The distribution of this increase in resources in the regions was approximately one-third for employment, one-third for social protection (including HIV/AIDS) and the balance split between the other strategic objectives and the shared policy objectives. Reinforcing and enhancing delivery capacity in all the regions responded to what the overwhelming majority of constituents wanted. Further, there was a proposed reallocation of US\$2 million for technical programming financed from savings in administrative costs.
41. There was an underlying commitment to further strengthen results-based management throughout the Office. Decisions under way to strengthen management, together with investments in information technology under IRIS, would result in more efficient and integrated management processes including better programming procedures, especially at country level, increasingly refined performance indicators and clear lines of responsibility and accountability, as well as more systematic evaluation. Monitoring of performance would be facilitated. These directions would reinforce overall management capacities focusing on impact for better delivery. More emphasis had been given to improving transparency of the total resources available by a consolidated presentation under each strategic objective of regular budget resources, planned technical cooperation resources and surplus funds.
42. The Governing Body had recommended to the Conference approval of the programme and budget proposals set at a provisional level of US\$448 million based on the 2002-03 budget rate of exchange. The rich discussion in the Programme, Financial and Administrative Committee showed strong support for the strategic orientation of the proposals. Delegates

pointed to the importance of the ILO's contribution to the national goals of promoting fundamental principles and rights at work, widening social dialogue, generating productive employment and extending social protection. The development of the four strategic objectives was seen as highly relevant to the challenges posed by globalization and would help countries move closer to achieving the Millennium Development Goals, particularly with respect to poverty reduction and gender equality. A number of very useful directions had been given regarding the emphasis on employment, particularly youth employment, the informal economy, the modernization and greater effectiveness of work on international labour standards, health and safety, social dialogue and mainstreaming gender questions, among others. The Governing Body unanimously supported a larger programme to address the consequences of the HIV/AIDS pandemic for workers and families and an increase of US\$500,000 in the allocation for this programme, within the overall budget, had been proposed. A close examination with the senior management team and the regional directors on how to more effectively include responses to HIV/AIDS within all of the Organization's activities would be made.

43. Having reached agreement on the substantive parts of the proposals, the Governing Body turned to the issue of the level of the budget. An overwhelming majority of government members, and the employer and worker groups, supported the budget, including the provision for cost increase. A number of governments stated reservations to the recommendation adopted by the Governing Body. The Director-General expressed his gratitude to all those who supported the proposals, especially those countries whose economic situation made it a difficult decision, particularly developing countries. This overwhelming support ensured that no programme cuts were necessary. He understood that, for some of the major contributors, zero nominal growth was the preferred option and it was important to recognize this opinion.
44. The last four years had seen a sustained and constructive dialogue on the programme and budget of the ILO. His views regarding the inadequacy of discussions around zero real growth and zero nominal growth had been made. He agreed with comments made during the Governing Body discussions in March 2003 by some speakers, that the limit of over two decades of creeping reductions in the real level of the budget had been reached and that a policy debate on this issue had to be undertaken. Yet, the ILO had to operate within the level of the approved resources. In the framework of strategic budgeting, founded on clear priority setting, the Organization had sought to cope with increasing demands and decreasing real regular budget resources in two ways. First, a systematic pursuit of cost savings and efficiency gains which had culminated in accumulated reductions of 16 per cent in support services, 9 per cent in services to meetings and 4 per cent in management services over three budget presentations. In spite of these reductions, the overall programme had gained in focus and in tangible services to constituents.
45. The second response to budgetary constraints was the welcome upward trend in extra-budgetary technical cooperation activities over the last four years. An indication of the continued relevance of the ILO's programmes was the US\$226 million of donor contributions for 2004-05. Detailed information on how the funds would be used could be found in the programme and budget document. The confidence in the Organization shown by the donors would enable it to demonstrate tangibly how policies and operational programmes could be introduced based on ILO values, as the *Working out of poverty* report presented to this Conference attested. Responsible management of extra-budgetary technical cooperation required adequate regular budget resources. In the IPEC Steering Committee, there had been frequent calls for increased regular budget funds for child labour activities. This need was easily understood, especially where fundamental principles and rights were concerned. IPEC and the Declaration now had total regular budget

resources of well over US\$6 million, including regular staff in the regions and he noted that this achievement had been difficult to accomplish in a zero-growth environment.

- 46.** As stated by a number of speakers in the March 2003 Governing Body, rapidly growing donor-funded programmes of technical cooperation and a decreasing real regular budget made for a worrying trend. This imbalance could call into question the priorities defined in the budget approved by the Conference and the ability to service the programme of technical cooperation. Maintaining a better balance between extra-budgetary resources across the four strategic objectives and with the regular budget was clearly a priority. Yet, requests from a number of countries for continued efficiency savings with appropriate reporting to the Governing Body had also been incorporated and this approach would continue. An analysis of the grading structure to take advantage of retirement to recruit new officials at lower grades, while respecting legitimate career expectations and the need to ensure greater gender balance in the P-5 to D-2 category within a coherent human resources development policy would be undertaken. He emphasized his commitment to continue to make efforts to identify and implement measures to find budget savings. Reductions in the length, structure and cost of all meetings, including the Governing Body and the Conference, as well as conditions of travel for staff and participants in meetings and renegotiation of supply contracts had already been identified. Documentation to the Governing Body would be reduced by 25 per cent by the end of 2005 while further reductions would be pursued systematically.
- 47.** The savings proposed in the budget, however, already represented a major commitment and would be achieved with difficulty. In heeding the advice and concern of many speakers during the March session of the Governing Body, it would be difficult to pursue further cuts in support services without affecting overall operational efficiency. Cost savings should result in increased services to member States not in budget reductions.
- 48.** The proposed provision for cost increases totalled US\$14 million over the two-year programme period or equivalent to 3.2 per cent of the total budget in constant dollar terms. The percentage reflected a compound measure of several estimates of cost increases over the programme period for the different items in the budget, including salaries, security of personnel and related issues for which decisions had already been taken by the General Assembly and which the Organization was mandated to follow. Much of the remaining cost increase was based on projected inflation rates in 2004 and 2005 which had been developed at the time of the preparation of the proposals and were established at 1 per cent per annum for Geneva. UBS now estimated an increase of 1.2 per cent for 2004, Dow Jones expected an inflation rate of close to 2 per cent for 2005 and the Swiss National Bank expected inflation to rise to over 2 per cent in the second half of 2005. In other words, technically, the cost increases proposed in March were probably too low.
- 49.** The Director-General emphasized that the provision for cost increases was fiscally conservative. Over the three budgets proposed to the Conference covering a six-year period, the aggregate cost increase totalled 4.6 per cent or a modest annual average of three-quarters of 1 per cent. This effort reflected prudent management of resources. The practical effect of any reductions would be a weakening in the effort to reinforce the capacity to service constituents in the field, directly affecting the resource transfer proposed for the regions and totally undermining the shared priority of strengthening ILO services at country level.
- 50.** The goal of decent work as a key response to the aspirations of workers and families everywhere for a better life had been carefully crafted through a shared commitment. This goal stated in simple language what the ILO was all about. Globalization had been identified as a defining trend shaping individual and country destinies, opening up new

possibilities but also new dangers. People wanted to see globalization delivering more and better opportunities for societies and countries, in particular decent jobs. There was a growing feeling worldwide that the rules of the game were not fair to the disadvantaged, be they people, enterprises or countries. Perceptions of unfairness foment anxiety, rejection and sometimes violence. In this process, the ILO was emerging as the natural place of dialogue and convergence for solutions based on open economies and open societies. The Decent Work Agenda was seen as a responsible approach that responded to the needs of people, families and communities. This was not surprising. If the notion that solutions had to be found by the actors and institutions closer to the problem was to be believed, there was no doubt that of all the international organizations, the ILO, because of its tripartite identity, was closest to the enterprises and workplaces of the real economy.

- 51.** Yet, governments, employers and workers worldwide were facing great difficulties to expand decent work opportunities, within the framework of the current global economy and national constraints. As a result, the vision and services of the ILO were growing in demand. He was honoured to have recently signed with President Lula of Brazil, a Memorandum of Understanding for the promotion of a Decent Work Agenda in Brazil to be carried out in consultation with employers' and workers' organizations. The voice of the ILO, of employers, workers and governments collectively, was a powerful and effective means of addressing the many burning issues that divided societies and engendered insecurity. Collectively, this same voice could also expand opportunities and freedom of choice. The discussion was about providing the financial means to do so. He requested that the Committee support the recommendation of the Governing Body to adopt the Programme and Budget proposals for 2004-05.
- 52.** Lord Brett, speaking as the Chairperson of the Governing Body, commented on the rich debate that the Director-General had referred to which took place during the Governing Body session in March 2003. The full text of the debate, some 48 pages, clearly reflected the active participation of the Committee members and could be found in Annex I of Report II. There seemed to be a broad and recurring call for the Organization to provide more services to constituents, especially in terms of technical assistance programmes. Equally though, from a budget perspective, there was much discussion on whether the programme and budget proposals needed to be defined within a zero real growth budget or a zero nominal growth budget environment. He agreed with the Director-General that it was time for the Organization to fundamentally reconsider whether the policy of submitting budgets that reflected no growth at all, irrespective of whether they were zero real growth or zero nominal growth budgets, was acceptable to an organization committed to expanding decent work opportunities in a world facing increasing economic, socio-economic and financial constraints. Was the idea of no growth budgets still appropriate for an organization whose role in addressing these imbalances was expanding? The Worker members' position was that it was preferable for the Organization to adopt at the very least a zero real growth budget and this view was supported by a very large majority of the Governments as well as the Employer members. While there was a small but important minority who argued for a zero nominal growth budget, they sought not to divide the Committee nor block the consensus.
- 53.** Other speakers, notably from Japan, Brazil and the United States, had argued for a deferral of the decision on the level of the budget partly in order to better evaluate the impact of currency movements on contributions. Paragraphs 130, 135 and 147 of that document respectively reflected the views of the Government members of Brazil, Canada and the United States and clearly showed the inherent goodwill apparent in the Committee deliberations as a consensus was sought and ultimately reached. He noted that his own Government, the Government of the United Kingdom, was increasingly committed to ensuring that increases in the funding of national programmes were not simply consumed

by additional administrative functions associated with implementing the programme. Any increase in funding was intended to improve the programmes and consequently the lives of the people the programme intended to help. This concern was real and legitimate. Part of the inflationary cost increase reflected in the programme and budget proposals related to genuine and justifiable salary increases consistent with United Nations decisions. But it would be unjust and inappropriate if such increases jeopardized the fundamental programmes that the ILO developed which were intended to assist those governments, employers and workers worldwide in need of such assistance. He consequently urged the Finance Committee to endorse the programme and budget proposals as presented by the Director-General based on the application of a zero real growth budget.

- 54.** Mr. Botha, speaking on behalf of the Employer members, expressed his appreciation for the opportunity to address the Finance Committee on the draft Programme and Budget proposals for the 2004-05 biennium. The Employers had consistently put forward supportive arguments which had been intended to demonstrate to the Government members of the ILO, the need to ensure sufficient funding for the Organization if it was to fulfil its programme mandate. During the March 2003 session, a consensus had been reached in the Governing Body to support a zero real growth budget. It was not an easy debate, but a consensus had emerged. He was concerned that even a zero real growth budget would be insufficient to ensure that all the necessary activities could be achieved and the fact that the ILO might not be able to meet its objectives and agreed commitments must be addressed in the near future.
- 55.** Many proposals had been made during the debate in March 2003 that aimed to improve the effectiveness of the ILO and more proposals were expected. It was important for ILO management to perpetually examine ways to improve efficiency while seeking sensible solutions which would cut unnecessary costs. Any budget which did not at least take into account commitments already made, however, would render the ILO less effective, less efficient, more frustrating to its constituents, less credible to its employees and less able to meet the objectives that had been developed for it. There was an approved programme and it was therefore imperative that the budget needed to deliver it, be approved as well. Had there been a desire not to support the programme, this should have been decided during the budget discussion. As it was, Governments, as well as the Employer and Worker members, had proposed additional items calling on the Director-General to amend the programme to accommodate the requests. The Director-General was able to do this within the overall budget constraints set but it was important to recognize that simply shifting resources from one programme to another would not help the ILO at a time of increased demand for its services. He noted that the programme to promote the ratification of Convention No. 182 had been abandoned, apparently in the interests of cutting costs. Convention No. 182 on the elimination of the worst forms of child labour, had so far seen the largest and most rapid number of ratifications of any Convention in the history of the ILO, due in part to the assistance given by the Office to countries wishing to ratify it. While some major countries had not yet ratified, it was still hoped that universal ratification could be achieved. At a minimum, it was essential that children be taken out of work which injured or maimed them physically and psychologically, and which killed many of them. It was simply not possible to achieve this objective without universal ratification and it was not possible to encourage universal ratification without giving the Office sufficient resources to continue its efforts.
- 56.** The Governing Body had approved a new Human Resources Strategy for the ILO aimed at developing a sound and equitable human resource management policy that would, among other things, minimize grievances, deal with sexual harassment cases and ensure progress based on merit. Staff training was considered a top priority. An important part of the strategy was the introduction of a Young Professionals Programme, aimed at bringing

young people of merit into the ILO. Who could deny the necessity of changing the age profile in the ILO, and who would not see the necessity of developing outstanding young professionals to fill future senior positions? Regrettably, as a consequence of the need to find savings, this programme no longer had financial support. The fact that it was possible to agree to develop new strategies and policies and then not commit funds for their implementation was confusing and inconsistent.

- 57.** In the March 2003 Governing Body discussions, many speakers had clearly indicated where more support was needed for selective programmes and activities. The Employers continued to believe that the HIV/AIDS programme should be expanded and the comments of many governments supported this view. It was crucial that this programme continue to receive regular budget support. Cuts in the budget meant less technical cooperation for developing countries, less support for technical cooperation and fewer activities.
- 58.** The programme and budget proposals presented by the Director-General represented a unifying programme and budget. While some of the largest contributors to the ILO still had misgivings about the level of the budget and were encouraging greater efficiencies and tighter management practices within the Office, it was his view that the Director-General had taken these concerns seriously and would continue to act upon them. The responsibility for achieving efficiency remained with the ILO management and it was false economy to budget for reducing costs. What was clear, however, was that the developing world supported the budget as proposed. Any further reduction in the level of the programme and budget would further reduce the support and technical cooperation to those countries with the greatest needs. People were increasingly manifesting their concerns on the streets at major world meetings and the Employer members believed that the ILO was the one venue where a sensible debate of these concerns and issues could be arranged. He fully supported this view while condemning the over-zealous and destructive nature of some of the demonstrations. He appealed to the Government members not to cut ILO finances in the Programme and Budget for 2004-05, to fund activities to which commitments had already been made and to support the consensus achieved in March, as recorded in paragraph 7 on page 2 of Report II.
- 59.** Mr. Blondel, speaking on behalf of the Worker members, fully supported the adoption of the programme and budget proposals presented by the Director-General. The proposals had been discussed extensively during the March 2003 session of the Governing Body and the Director-General had managed to incorporate into them many of the suggestions and changes that had been requested. The Programme and Budget for 2004-05 was a balance between the substantive operational objectives defined by the Director-General and the resources placed at the disposal of the Office. Fundamental problems and issues had been identified and actively discussed with full tripartite participation during the Governing Body session. Comprehensive and sometimes complex but often local solutions had been proposed, considered and agreed upon reflecting the commitment of the Director-General to shift resources to the individual country level, effectively decentralizing the focus of activities to where it was needed most. This shift was unavoidable and supported not only by the Worker members but by almost all constituents. To properly monitor programme implementation at country level and thereby make adjustments as appropriate, the Director-General had initiated an integral system of management that would permit a more comprehensive and precise way of coordinating ILO activities in the field with those at headquarters. It was an extremely effective model and he hoped that all social partners implicated in the activities would be able to participate with the ILO.
- 60.** The programme and budget proposals were also aimed at maintaining continuity. It was vital that the Organization be given the financial resources to ensure the long term survival of programmes agreed to by the Governing Body and already implemented. Not only was

it inefficient from a financial perspective to develop and implement programmes with only a short-term perspective, continually reducing the financial resources would mean the abolition of other programmes which could easily impact negatively on individual country development. The Worker members had already gone on record as supporting an increase in the financial resources to the Office. It was a fundamental question of the assessment of the value of the work done by the ILO. Labour and employment issues were as important as issues defended by other organizations in the United Nations family and it was not appropriate that programmes had to be eliminated because budgets were fixed and increasingly consumed by inflation. Cost increases associated with salaries for example, were determined within the entire United Nations system and could not simply be compressed. The Worker members could find no justification at all for a zero nominal growth budget.

- 61.** It was true that many countries were already facing difficulties in meeting their financial obligations to the Organization as a result of the current economic and financial climate and he recognized that many countries would not be willing or able to support an increase in contributions. But the programme and budget proposals presented by the Director-General were aimed at addressing real and important issues facing people in real and often desperate situations. The recent demonstrations that coincided with the G8 meeting showed the level of world concern on many issues in which the ILO could play an important and leading role. It would be strategically unsound to reduce the budget of the Organization at this stage. He encouraged Governments to pay their assessed contributions in full and on time and urged the Committee to place its confidence in the Director-General and accept the 2004-05 programme and budget proposals presented by him.
- 62.** The Government member of South Africa, speaking on behalf of the African group, said that the situation in Africa demanded responses to the issue of employment creation, which she identified as one of the priority objectives for the biennium. Regarding Jobs for Africa, she was not convinced that there was a commitment to make it a flagship programme and urged that it be funded from the regular budget. She noted the consideration given to the possible establishment of an InFocus Programme on HIV/AIDS and the World of Work and the allocation of an additional US\$500,000 to AIDS. She welcomed the proposal to redirect resources to the regions and requested that funds be deployed to the three African labour centres to help build capacity and ensure that Africa benefited from the Turin Centre. More human resources were needed in Africa for employment specialist positions. The African Arab-speaking countries repeated the call for an Arabic version of standards-related documents. The African group was concerned by the decrease in growth of the ordinary budget. Africa was in dire need of assistance and she reiterated the group's support for zero real growth.
- 63.** The Government member of the United Kingdom, speaking on behalf of the IMEC group, stated that IMEC's views had not changed since March. There was support for the Decent Work Agenda, strategic budgeting and other budget proposals. There was satisfaction that regional priorities showed progress towards integrated work, but strategic objectives needed more transparency on allocations. IMEC welcomed the transfer of resources from headquarters to the regions and in particular the increase by 10 per cent of Professional staff in the field. The next Governing Body would be presented with a plan for headquarters/regional allocations. It was helpful to see the distribution of the 2000-01 surplus funds. She applauded progress on operational management. The ILO had to make tough choices with priority setting and to provide support for essential support services in a cost-effective manner. She expressed support for a reduction in the number and length of documents and urged the Governing Body and the Conference to make better use of time. Finally, she welcomed member States' involvement in the preparation of the next strategic framework.

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- 64.** The Government member of Spain expressed a preference for a balanced budget, to include cost increases, and for zero real growth. Zero nominal growth meant a run-down budget; zero real growth meant reaching objectives. Improved control of meetings would achieve cost savings. Spain also sought strengthening of structures and more transparency. Spain would also like to see a strengthening of structures in the regions, in both regional and subregional offices and in multidisciplinary teams (MDTs).
 - 65.** The Government member of Norway associated himself with the statement made by the United Kingdom on behalf of IMEC. The budget proposal was based on zero real growth, which meant an increase of some US\$14 million, and he supported the general level of the budget proposal. He appreciated the improvements made in the format of the budget, with the concept of strategic budgeting and results-based management techniques further refined. Information was easier to find. The inclusion of all three sources of funding gave a better oversight. The four strategic objectives were supplemented by implementation strategies. He was pleased to note significant increases for the regions and technical cooperation as well as decreases in support services, but disappointed that gender equality showed no real increase. In fact there was a decrease for gender promotion.
 - 66.** The Government member of the Russian Federation reaffirmed the need for zero nominal growth. In order to achieve this, small cost increases in the budget should be absorbed. The request for additional resources for administrative and support functions should be reduced, especially human resources management for which real growth was premature before the cost benefit analysis of the human resources strategy had been carried out. He proposed to slightly increase an adjustment for staff turnover, which should follow the evolution of staff costs. He approved the increase in resources for the regions and the four strategic objectives. However, expenditure on management services remained the same in real terms which suggested possibilities for savings and further distribution of resources to the regions. He called for a qualitative increase in ILO activities in the Commonwealth of Independent States (CIS). He indicated that if additional resources were allocated to the regions, especially the CIS subregion, the Russian Federation would be able to demonstrate greater flexibility on the budget level.
 - 67.** The Government member of Algeria aligned himself with the South African statement. The programme and budget proposals were rightly based on decent work and the integrated approach. He expressed concerns about the impact of reductions in programmes in the regions and budget allocations made on zero real growth. Over the last 30 years, there had been a continual reduction in resources because of zero real growth and this could ultimately affect the functioning of the ILO. A debate should take place about growth not reductions. Extra-budgetary funding should not threaten the regular budget and the focus should be on the strategic objectives, especially job creation.
 - 68.** The Government member of Mexico spoke in favour of the zero real growth solution discussed at the 286th Session of the Governing Body. Mexico was facing economic pressures, but supported Employers, Workers and Governments.
 - 69.** The Government member of Nigeria appreciated the focus on Africa. Although Nigeria sought growth in the budget, he supported zero real growth as the irreducible minimum. To maintain its relevance, the ILO had to continue to confront the myriad problems that faced workers on a daily basis.
 - 70.** Although Ecuador was experiencing a severe economic crisis and was constrained by financial restrictions imposed by the International Monetary Fund, following various analyses, it had decided that it was necessary to support the increase in the ILO's budget. There were many reasons for this support, but the main one was the work carried out by

the ILO to benefit the country in such important areas as child labour, the fight against poverty and employment for young persons. It would not be appropriate to make budget cuts in areas such as these. For these reasons, Ecuador supported zero real growth, and wanted its position to be seen as a vote of confidence for the ILO's work and that of the Director-General.

71. The Government member of Chile thanked the Office for the budget proposals and gave his support to the consensus.
72. The Government member of Saudi Arabia, speaking on behalf of the Gulf Cooperation Council, welcomed the concentration on activities at country level. He wished to see the Beirut office strengthened with extended technical cooperation in its region. Like the Government member for South Africa, he requested an increase in the number of documents available in Arabic. He also believed that, in an effort to achieve a more equitable distribution of posts, there should be an increase in the number of Gulf citizens employed by the ILO.
73. The Government member of Tunisia supported the budget proposals but looked for real growth, not zero real growth, in future to support strategic priorities such as employment creation, poverty eradication and gender equality, and to respond to member States' needs, particularly those of developing countries. She trusted that the proposals would allow an increase in technical cooperation for the social partners in Africa and the Arab countries. She called for the ILO to provide more support for labour administrations. Without trained labour administrators, the Decent Work Agenda could not be implemented. She hoped for both financial and technical assistance for those centres, especially the ACLAE centre in Tunisia, which helped to train labour administrators. She echoed the call for translation of standards documents and ILO publications into Arabic.
74. The Government member of Portugal supported the statement made on behalf of IMEC and was fully in favour of the need for strategic objectives and decentralization. He believed that the question of the budget level involved two opposing arguments. Firstly, many member States were suffering from economic problems and it was difficult to ask citizens to make further sacrifices in order to fund international organizations. Secondly, it was not honest to deny the importance of the ILO's activities such as IPEC and Jobs for Africa. More and more demands were being placed upon the Organization and yet resources were being reduced. The strict application of zero real growth budgets over successive biennia had effectively created an imbalance between the regular budget funds and voluntary contributions. Having considered both arguments, he believed that the Director-General's proposal for zero real growth represented a balanced solution and he gave it his support.
75. The Government member of Egypt favoured the option of zero nominal growth over that of zero real growth given the current economic conditions in his country but he was willing to go along with the consensus. He supported the request made by the Government member of South Africa for an increased emphasis on programmes in Africa and reiterated the need for more documents to be available in Arabic.
76. The Government member of the Libyan Arab Jamahiriya supported the statement made by the Government member of South Africa and fully supported the budget proposals presented by the Director-General. The African continent faced considerable problems: poverty; unemployment and the AIDS pandemic amongst others, and these were undermining the fight for human rights. He welcomed the budget proposals which were of particular importance to Africa, especially in the area of employment, and also expressed his keen support for the Turin Centre. He too wished to see an increased number of

documents available in Arabic and additional support for the Beirut office. More resources were also needed for employment and labour administration in Algeria. He believed that those countries not currently benefiting from technical cooperation should receive greater focus from the Organization.

- 77.** The Government member of Pakistan noted the increasing demand for more programmes that was not matched by an increase in resources. No cut in programmes had been agreed at the previous Governing Body. Pakistan supported the country-driven approach to programmes; donors tended to distort national priorities by imposing their own priorities.
- 78.** The Government member of Switzerland welcomed the programme and budget proposals that were strategic, result-oriented and focused on efficiency. They indicated a direction for ILO activities were clear and involved zero real growth, which Switzerland supported. There was a link to be made between the Programme and Budget for 2004-05 and the Director-General's Report to the ILC this year; they should be considered together.
- 79.** The Government member of Ukraine supported both the general level of the proposals and their central objective, the implementation of a Decent Work Agenda which gave priority attention to the development of technical cooperation. There was a clear need to continue the trend to increase resources to the regions and reduce the cost of support services. He was pleased to note the increase in the level of extra-budgetary resources for technical cooperation. It was important to maintain the balance between the various sources of financing the ILO. He stressed the importance of programmes such as young professionals.
- 80.** The Government member of Benin stated that until a debate on zero growth could take place, the budget proposals should be supported.
- 81.** The Government member of the Netherlands supported the IMEC statement. The Netherlands had been vocal on the need for a dynamic zero real growth budget. If members supported the ILO's work and continued to ask for more activities, they must accept the consequences. She felt that there needed to be a balance between the regular budget and extra-budgetary funds. However, zero real growth would imply serious responsibility on the part of the ILO's management to be cost effective.
- 82.** The Government member of Japan believed that zero nominal growth was the most effective policy for keeping strict financial discipline. The recent WHO assembly had adopted a revised budget level, reducing the increase in the budget from 2.9 per cent to 0.7 per cent. Given the surplus available, the ILO should be able to achieve this same kind of effort. Reform of the staff grade structure was important to save costs and provide a sound organizational structure. He would like to see a concrete timetable for human resources development with such a strategy integrated into the mid-term strategic plan. Given the economic difficulties in Japan and other countries, the programme and budget needed further discussion by Members.
- 83.** The Government member of Namibia subscribed to the statement made by South Africa on behalf of the African group. She was pleased that increased resources had been allocated to priority areas such as employment, social protection and AIDS, and that resources were being decentralized. She had noted the danger signal that resources from extra-budgetary funding were resuming an upward trend, while the regular budget was decreasing. She appealed to non-paying member States to pay their contributions and was convinced that it was time to start the policy debate that would lead the ILO out of zero real growth budgeting.

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- 84.** The Government member of New Zealand was heartened that the ILO continued to build on innovations, such as implementing the strategic policy framework and putting the accent on accountability. New Zealand looked forward to the implementation phase of the Decent Work Agenda and supported the reallocation of resources to the regions. She encouraged the ILO to capitalize on cost savings. Concerns over the employment sector remained; if employment was to be at the heart of decent work, then the importance of employment needed to be reinforced. She re-emphasized the importance of evaluation and was disappointed with the slow progress to date. The budget proposals responded to the demand for greater services but these should not be the only determinant of budget level. New Zealand had been consistent in calls for zero nominal growth, which should be the starting point for this and future budgets. This was not a dogmatic statement. It was based on the conclusion that the ILO could do more to demonstrate efficiency.
- 85.** The Government member of Sudan said that the priorities should stress decent work for people with special needs, particularly in Africa, as their numbers increased as a result of wars and decimating diseases, and youth employment, but at the same time should not neglect victims of wars and disasters. There was a need to improve capacities and skills in order to reduce costs. The ILC was currently demonstrating restraint compared with three years ago and this was a good sign. Africa hoped that more assistance would be forthcoming; the Arab Labour Organization's regional centre had little technical know-how. The ILO should provide support to the Arab Centre for Insurance in Khartoum which discontinued its activities for many years, although it had the necessary human resources.
- 86.** The Government member of Lebanon asked if the ILO could meet the demands made on it and remained optimistic. She noted that the budget proposal amount allotted to technical cooperation programmes for the Arab States was the same as in the previous biennium and wondered whether the amount could be increased by perhaps using the Special Programme Account. The constituents in the Arab States had a great need for technical cooperation in various labour fields. Extra-budgetary expenditures for the Arab States had increased but were still insufficient. She called for an increase in the regular budget for the Arab States as well as for an increase in allocations for translation of standards-related materials into Arabic. She thanked the Standards Department for translating the report form on ratified Conventions. She noted that reports on agenda items were not received in due time or received at all. She stated that the occupied Arab territories and Palestine needed their own separate budget which should be separated from that of the Arab States in West Asia as these two entities had their own needs. She also called for support to the Arab Regional Office in Beirut, whose budget had been increased but not sufficiently so. Lebanon needed vocational training and job creation, and support was required for the centre in Tunisia. Referring to page 156 in the budget proposals and the reference to interregional programmes, she asked who were the beneficiaries and whether these programmes were different from those prescribed for the regions mentioned on the same page and whether the Arab States benefited from these interregional programmes.
- 87.** The Government member of Canada supported the IMEC statement. Canada welcomed the inclusion of all sources of funding in one document and the linking of expenditure to all priority objectives. His view was that no programme activity should be exempt from a process of evaluation, including that of outside experts, to ensure maximum value. On the fundamental question of the overall level of the proposed budget, the Canadian policy across the United Nations system remained that of zero nominal growth. Canada considered that there was room for further cost savings in the budget. In 2004-05, the ILO would enjoy a substantial overall increase in financial resources of some US\$39 million. Canada continued to believe that there was scope to accommodate the cost increases in the proposed budget by further savings, such as transfer of activities from headquarters to the regions. Canada looked forward to further reflections on this matter by the Director-

General at this meeting in order that the Committee might be able to support a consensus on this important agenda item.

- 88.** The Government member of Italy associated herself with the IMEC position, particularly regarding the 10 per cent increase in human resources in the regions. She stressed the importance of improving evaluation capacity. Progress had been made in identifying sectors in which savings could be made and she encouraged the Office to continue along this path. Italy supported the budget as it was necessary to give the ILO all means available to carry out its ever-increasing tasks.
- 89.** The Government member of Australia endorsed the IMEC statement and welcomed the evolution of results-based budgeting. He encouraged the Office to complete the results-based budget cycle through development of rigorous reporting and evaluation. Australia supported zero nominal growth. The Director-General had proposed a zero real growth budget of US\$434 million, including a US\$13.98 million increase over the current biennium. For several reasons Australia was unable to support this. The staffing structure of the Office was top-heavy. When staff costs accounted for 70 per cent of the budget, there should be an appropriate staffing structure and officers should only ever be promoted into genuine vacancies through transparent, competitive processes. He had no sense from the proposals that enough had been done to prioritize activities and phase out programmes that had achieved their objectives. Further efficiencies were possible. Also over the next few years, the ILO would have more than US\$50 million available in extra resources from the 2000-01 surplus, to be devoted to new priority areas. He therefore believed the Conference should adopt a zero nominal growth budget and was unable to join a consensus on the budget.
- 90.** The Government member of Hungary appreciated the fact that the budget proposal cut management costs at headquarters and allocated more resources to the regions, welcoming the increase of US\$2 million for strategic objectives. He saw employment-related programmes as one of the most important goals of the Decent Work Agenda, together with the further development of social dialogue. Hungary supported a zero real growth budget.
- 91.** The Government member of Belgium recognized that the Organization faced considerable challenges and needed appropriate resources. The regular budget could not cover everything and extra-budgetary resources were necessary but a balance between the two types of funding was essential. There should be no risk that the provenance of extra-budgetary resources could jeopardize the independence of the Organization.
- 92.** The Government member of the Republic of Korea supported zero real growth. The ILO was faced with increasing visibility and expectations on the international scene and she was concerned that in many areas the Organization was “high-cost, low-efficiency”. The structure needed an overhaul with the headquarters reduced in size and the regions strengthened. She hoped that in the Director-General’s second term, programmes would shift to being customer-oriented, based on regional offices. She reminded the ILO of the high expectations held by member States for its role.
- 93.** The Government member of Brazil expressed the view that the core matter of the current discussion was the level of the budget. He supported the work and the ideals of the ILO but had, nevertheless, to consider the severe budgetary constraints currently in force in his country. These made it very difficult to support any growth in the budget, particularly given the unfavourable exchange rate at the current time. In an ideal world, he would readily support an increase to accommodate inflation within the budget but harsh economic realities made this impossible. He would have preferred a consensus in favour of zero

nominal growth during the March session of the Governing Body but as this had not been achieved, he would not stand in the way of consensus.

- 94.** The Government member of the United Kingdom, speaking on behalf of her own Government, said that the United Kingdom opened all negotiations from the starting point of zero nominal growth and believed it was a good discipline for all international organizations to absorb cost increases through efficiency savings. While understanding the pressures involved in trying to balance the conflicting demands of constituents, she believed these should be met through more rigorous prioritization rather than by increasing the budget level. She encouraged the Director-General to reconsider the possibility of absorbing at least part of the inflation increase through further efficiency savings. She considered that decisions already taken regarding the retention of the 2000-01 surplus meant that the ILO now had a growth budget. At the March Governing Body, the United Kingdom did not consider that a consensus had been reached and had not changed its opinion. As there had been no change in the proposed budget level, she could not therefore join a consensus on the budget proposal.
- 95.** The Government member of France supported the current proposal as representing the best balance to be found. France's consistent position was in favour of zero real growth – and even growth itself. It was essential for international organizations to have a budget which was commensurate with their activities, and to fulfil an ever-increasing number of missions. The budget was the “backbone” of an organization and it was only in real terms that its development could be judged. This was without doubt the most political document on which the governing bodies would have to take a decision. The debate could not be taken lightly. However, for some years the dogma of zero nominal growth had held sway and produced, as the representative of France had pointed out in March, negative, even “perverse” effects, among them an increase in extra-budgetary resources made available to the Organization, which risked creating an imbalance between regular budget and extra-budgetary resources. Voluntary contributions currently accounted for 50 per cent of funding, which suggested that, within two to four years, they would exceed regular budget funds as a proportion of total resources, and the balance mentioned by more than one speaker would become total imbalance. This situation needed to be discussed, as it called into question not only the relevance of the entire budget debate but also the direction and objectives of the Organization. As a contributor of extra-budgetary resources, France wished this potential imbalance to be considered at the next meeting of the Governing Body. A shift towards transparency was required in relation to the many agreements concluded between the ILO and member States. France, for its part, was ready to present a balance sheet of its cooperation agreement with the ILO at the next Governing Body. There were many interesting elements (regions, headquarters, the Turin Centre) within the budget which deserved a discussion, but they were overshadowed by the lack of agreement about the level of the budget. She strongly encouraged States which had reservations to join the consensus, as France would do in spite of its strong objections, on the question of the surplus.
- 96.** The Government member of the United States appreciated the position of the United Kingdom and others on the issue of zero nominal growth – which had been good for the ILO. The fiscal discipline imposed by zero nominal growth budgets had improved efficiency. The ILO did not do less today than eight years ago. It was leaner, tougher and smarter. Zero nominal growth had kept budget levels affordable for all Members. Without zero nominal growth budgets over recent years, many Members that had taken the floor would be in far more difficult straits. However, zero nominal growth was not a dogma and certainly could not be permanent. The question was when and to what degree to depart from it. The United States had begun the budget discussion with the hope of achieving a compromise between zero nominal growth and zero real growth. Such a compromise had

not been reached. Nonetheless, the United States would join the consensus on the Director-General's proposal because it was the best solution.

97. The Chairperson expressed his appreciation to Committee members for their contributions to the discussion on the programme and budget proposals. Members had been unanimous in thanking the Director-General and the Office for their work. The decisions taken had been difficult. There had been unanimous support for the programme but it had not been possible to find consensus on the level of the budget. A large majority of Members had expressed preference for the Director-General's proposal, with reservations noted particularly by the United Kingdom and Australia. In the light of what had been said, the Chairperson asked if the Committee was prepared to accept the Governing Body's recommendation concerning the Programme and Budget for 2004-05 contained in paragraph 6 on page 2.

98. *The Committee agreed to recommend to the Conference that it adopt the resolution for the Programme and Budget for 2004-05 as set out in Report II, page 2, paragraph 7. It noted that the US dollar totals for expenditure and income, also the Swiss franc equivalent and the budget exchange rate, would be available after the Office had executed the forward purchase contracts for the 2004-05 biennium and would be available to the Committee when it met the following day to review the resolution for the adoption of the Programme and Budget for 2004-05 under the ninth item on its agenda.*

Assessment of contributions of new member States

(Seventh item on the agenda)

99. The Committee had before it document C.F./D.3 (paragraphs 18 and 19 refer) proposing a rate of assessment for Vanuatu for 2003, which had joined the ILO on 22 May 2003.

100. *The Committee recommends that the Conference adopt this resolution, the text of which appears at the end of this report.*

Scale of assessments of contributions to the budget for 2004

(Eighth item on the agenda)

101. The Committee had before it document C.F./D.3, containing a draft resolution concerning the scale of assessments of contributions for 2004.

102. The Government member of Greece, speaking on behalf of the Governments of Member States of the European Union, the acceding countries Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic and Slovenia, and associated countries Bulgaria, Romania and Turkey, declared that the scale of assessment should be based on the latest United Nations scale dating from 2000 with the appropriate adjustments. In December 2002, the United Nations had taken an ad hoc decision which was influenced by the situation in New York. He was concerned by the special arrangement proposed for two member States regarding their contributions, which should not set a precedent and constituted a derogation from the Financial Regulations. However, he would not block the arrangement if the issue was recorded as exceptional for 2004 only.

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103. The Government member of Japan said he believed that the ILO scale should be based on the latest United Nations scale available and he would prefer to see the December 2002 scale applied as this was considered to be the latest. With regard to the credit from the Working Capital Fund, he thought it inappropriate to derogate from the Financial Regulations. He could accept the proposal as long as it was recorded as exceptional and did not create a precedent.
104. The Government members of Australia, New Zealand, Canada, Norway and Switzerland strongly supported the European Union statement.
105. The Chairperson noted the consensus for the European Union position and proposed some slight amendments to the text in paragraph 17 and the appendix of document C.F/D.3.
106. The Government member of Argentina stated that he would not block consensus, as reflected in the amended text, although he would prefer the original text. He agreed with Japan that the last-approved United Nations scale was that of December 2002.
107. The Government member of Brazil wanted a record made of his country's position, namely that the December 2002 scale should apply.
108. The Government member of Lebanon asked what the difference between the two scales was and what the impact of the adjustment would be.
109. The Chairperson recalled that the difference between the two scales, for the ILO, was in the contributions of Afghanistan and Argentina and referred the Government member of Lebanon to report C.F./D.3 which detailed the relevant discussion.
110. *The Committee recommends that the Conference adopt the resolution, the text of which appears at the end of this report.*

Resolution for the adoption of the Programme and Budget for 2004-05 and the allocation of the budget of income among member States
(Ninth item on the agenda)

111. The new document C.F./D.4 now before the Committee contained summarized details of the Programme and Budget proposals for 2004-05. Following the decision in favour of the Governing Body's recommendation concerning the programme and budget, the Office had carried out the forward exchange contracts for the ILO's US dollar requirements for the 2004-05 biennium. The appropriate figures now to be inserted in the formal resolution were:

Budget of expenditure	US\$529,590,000
Budget of income	US\$529,590,000
Budget rate of exchange	1.34
Equivalent budget total in Swiss francs	CHF709,650,600

112. The Government member of the Russian Federation asked how the exchange rate figure had been obtained.

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113. The Acting Treasurer explained that the rate of 1.34 Swiss francs to US\$1 related to market rates prevailing when the forward purchase transactions had been executed earlier in the day.
114. The Government member of India asked if it was Office practice to use the rate of a single transaction or an average of several rates.
115. The Acting Treasurer said that the forward contract comprised a total of 48 transactions with two banks during the next biennium (two per month) commencing in January 2004 and involving the sale of Swiss francs and purchase of US dollars. The Swiss franc-US dollar rate of each transaction was based on the current market rate of exchange, but the actual rate varied every month because of interest rate differentials between Swiss franc and US dollar yields maturing during 2004-05.
116. The Government member of India asked what proportion of resources needed to be converted into US dollars.
117. The Acting Treasurer said that for 2004-05, 57 per cent of the overall budget was incurred in Swiss francs and 43 per cent in US dollars or currencies linked to it. Therefore, at a budget rate of 1.77 (2002-03) the ILO had needed to buy US\$194 million. The percentages varied from biennium to biennium and 43 per cent was the highest percentage requirement for US dollars since the Swiss franc assessment system was established in 1989. An analysis of requirements was carried out every two years and the result depended upon factors such as the extent to which the ILO's expenditure was incurred in decentralized locations. Moreover, if the Swiss franc was strong, the proportion of expenditure in Swiss francs was correspondingly higher.
118. *The Committee recommends that the Conference adopt this resolution, the text of which appears at the end of this report.*

Appendices

119. The draft scale for the assessment of contributions for the year 2004 is attached as Appendix I to this report.
120. A table showing the proposed summarized budget of expenditure and income for 2004-05 is attached to this report (Appendix II), together with a summary of the proposed expenditure budget for 2004-05 by appropriation line (Appendix III).
121. A statement showing the contributions due from each member State for 2004 is also attached as Appendix IV.

Geneva, 11 June 2003.

(Signed) J-J. Elmiger,
Chairperson and Reporter.

Resolutions submitted to the Conference

Resolution concerning the treatment of surpluses – Amendments to the Financial Regulations

The General Conference of the International Labour Organization,

Recognizing that amendments to the Financial Regulations are required to ensure that surpluses are dealt with in an appropriate manner;

Decides to make the following amendments to the Financial Regulations:

(Additions are shown in bold type; deletions are indicated by square brackets.)

Article 11

...

9. The Director-General shall transfer the surplus referred to in article 18.3 to a Special Programme Account, which shall be used, subject to the authorization of the Governing Body, to finance high-priority activities of limited duration that were not otherwise provided for under the budget adopted by the Conference and that do not create any expectation of additional future funding.

Article 18

1. (No change.)

2. The amount of any surplus resulting from an underspending of the approved or amended budget, [Any such surplus] expressed in Swiss francs calculated at the budget rate of exchange for that financial period, shall be used to reduce the contributions of Members in the following way: Members which paid their ordinary contributions in the financial period in which this surplus accrued shall have their share of the surplus deducted from their contributions assessed for the second year of the succeeding financial period; other Members shall not be credited with their share until they have paid the contributions due from them for the financial period in which the surplus accrued. When they have done so, their share of such surplus shall be deducted from their contributions assessed for the first year of the next financial period for which a budget is adopted after such payment.

3. The amount of any surplus resulting solely from the receipt of contributions in excess of the level of the budget as adopted by the International Labour Conference or as subsequently amended by the Governing Body, net of any reimbursements to the Working Capital Fund or other borrowings, shall be transferred to the Special Programme Account as defined in article 11.9

Resolution concerning proposed gifts of land from the Government of Chile and the Government of the United Republic of Tanzania

The General Conference of the International Labour Organization,

Authorizes the Governing Body, pursuant to article 12, paragraph 1, of the Financial Regulations, to accept, if it thinks fit after a full examination of each individual proposal, the gifts of land generously offered by the Governments of Chile and the United Republic of Tanzania, for the purpose of constructing premises to house the ILO offices in Santiago and Dar es Salaam respectively.

Resolution concerning the composition of the Administrative Tribunal of the International Labour Organization

The General Conference of the International Labour Organization,

Decides, in accordance with article III of the Statute of the Administrative Tribunal of the International Labour Organization, to renew the appointment of Mr. James K. Hugessen (Canada) and Mr. Seydou Ba (Senegal) for a term of three years, and that of Ms. Florida Ruth P. Romero (Philippines) for a term of office of two years;

Expresses its appreciation to Ms. Hildegard Rondón de Sansó for the services which she has rendered to the work of the Administrative Tribunal of the International Organization over the last three years.

Resolution concerning the assessment of contributions of new member States

The General Conference of the International Labour Organization,

Decides, in accordance with the established practice of harmonizing the rates of assessment of ILO member States with their rates of assessment in the United Nations, that the contribution of Vanuatu to the ILO budget for the period of its membership in the Organization in 2003 be based on an annual assessment rate of 0.001 per cent.

Resolution of scale of assessments of contributions to the budget for 2004

The General Conference of the International Labour Organization,

Noting the unprecedented adjustment made to the scale of assessments for 2003 by the United Nations General Assembly in December 2002, exceptionally and without wishing to establish any precedent, decides:

- (a) in accordance with article 9, paragraph 2, of the Financial Regulations, to adopt the scale of assessments for the year 2004 based on the scale adopted by the United Nations General Assembly in December 2000 as set out in column 2 of the appendix to this document; and

-
- (b) in derogation of Chapter V of the Financial Regulations, to transfer an amount equivalent to 0.008 per cent of one-half of the income budget for the biennium 2004-05 from the Working Capital Fund as a credit towards the contribution due from Afghanistan for 2004 and an amount equivalent to 0.175 per cent of one-half of the income budget for the biennium 2004-05 as a credit towards the contribution due from Argentina for 2004; and
- (c) that the Working Capital Fund be reimbursed for such transfers from any excess of income over expenditure as defined in article 18.1 of the Financial Regulations.

Resolution concerning the adoption of the Programme and Budget for 2004-05 and the allocation of the budget of income among member States

The General Conference of the International Labour Organization,

In virtue of the Financial Regulations, adopts for the 69th financial period, ending 31 December 2005, the budget of expenditure of the International Labour Organization amounting to US\$529,590,000 and the budget of income amounting to US\$529,590,000, which, at the budget rate of exchange of 1.34 Swiss francs to the US dollar, amounts to 709,650,600 Swiss francs, and resolves that the budget of income, denominated in Swiss francs, shall be allocated among member States in accordance with the scale of contributions recommended by the Finance Committee of Government Representatives.

Appendix I

Scale of assessments

	State	ILO Scale of assessments 2003 Col. 1 (%)	Draft ILO Scale of assessments 2004 (1) Col. 2 (%)
1	Afghanistan	0.00900	0.00900
2	Albania	0.00300	0.00300
3	Algeria	0.06900	0.06900
4	Angola	0.00200	0.00200
5	Antigua and Barbuda	0.00200	0.00200
6	Argentina	1.13100	1.13100
7	Armenia	0.00200	0.00200
8	Australia	1.60200	1.60200
9	Austria	0.93200	0.93200
10	Azerbaijan	0.00400	0.00400
11	Bahamas	0.01200	0.01200
12	Bahrain	0.01800	0.01800
13	Bangladesh	0.01000	0.01000
14	Barbados	0.00900	0.00900
15	Belarus	0.01900	0.01900
16	Belgium	1.11200	1.11200
17	Belize	0.00100	0.00100
18	Benin	0.00200	0.00200
19	Bolivia	0.00800	0.00800
20	Bosnia and Herzegovina	0.00400	0.00400
21	Botswana	0.01000	0.01000
22	Brazil	2.35300	2.35300
23	Bulgaria	0.01300	0.01300
24	Burkina Faso	0.00200	0.00200
25	Burundi	0.00100	0.00100
26	Cambodia	0.00200	0.00200
27	Cameroon	0.00900	0.00900
28	Canada	2.51900	2.51900
29	Cape Verde	0.00100	0.00100
30	Central African Republic	0.00100	0.00100
31	Chad	0.00100	0.00100
32	Chile	0.20900	0.20900
33	China	1.50900	1.50900

	State	ILO Scale of assessments 2003 Col. 1 (%)	Draft ILO Scale of assessments 2004 (1) Col. 2 (%)
34	Colombia	0.19800	0.19800
35	Comoros	0.00100	0.00100
36	Congo	0.00100	0.00100
37	Costa Rica	0.01900	0.01900
38	Côte d'Ivoire	0.00900	0.00900
39	Croatia	0.03800	0.03800
40	Cuba	0.02900	0.02900
41	Cyprus	0.03700	0.03700
42	Czech Republic	0.20000	0.20000
43	Democratic Republic of the Congo	0.00400	0.00400
44	Denmark	0.73800	0.73800
45	Djibouti	0.00100	0.00100
46	Dominica	0.00100	0.00100
47	Dominican Republic	0.02200	0.02200
48	Ecuador	0.02400	0.02400
49	Egypt	0.08000	0.08000
50	El Salvador	0.01800	0.01800
51	Equatorial Guinea	0.00100	0.00100
52	Eritrea	0.00100	0.00100
53	Estonia	0.01000	0.01000
54	Ethiopia	0.00400	0.00400
55	Fiji	0.00400	0.00400
56	Finland	0.51400	0.51400
57	France	6.36700	6.36700
58	Gabon	0.01400	0.01400
59	Gambia	0.00100	0.00100
60	Georgia	0.00500	0.00500
61	Germany	9.62000	9.62000
62	Ghana	0.00500	0.00500
63	Greece	0.53100	0.53100
64	Grenada	0.00100	0.00100
65	Guatemala	0.02600	0.02600
66	Guinea	0.00300	0.00300
67	Guinea-Bissau	0.00100	0.00100
68	Guyana	0.00100	0.00100
69	Haiti	0.00200	0.00200
70	Honduras	0.00500	0.00500

	State	ILO Scale of assessments 2003 Col. 1 (%)	Draft ILO Scale of assessments 2004 (1) Col. 2 (%)
71	Hungary	0.11800	0.11800
72	Iceland	0.03200	0.03200
73	India	0.33600	0.33600
74	Indonesia	0.19700	0.19700
75	Iran, Islamic Republic of	0.26800	0.26800
76	Iraq	0.13400	0.13400
77	Ireland	0.29000	0.29000
78	Israel	0.40900	0.40900
79	Italy	4.98753	4.98753
80	Jamaica	0.00400	0.00400
81	Japan	19.21804	19.21804
82	Jordan	0.00800	0.00800
83	Kazakhstan	0.02700	0.02700
84	Kenya	0.00800	0.00800
85	Kiribati	0.00100	0.00100
86	Korea, Republic of	1.82300	1.82300
87	Kuwait	0.14500	0.14500
88	Kyrgyzstan	0.00100	0.00100
89	Lao People's Democratic Republic	0.00100	0.00100
90	Latvia	0.01000	0.01000
91	Lebanon	0.01200	0.01200
92	Lesotho	0.00100	0.00100
93	Liberia	0.00100	0.00100
94	Libyan Arab Jamahiriya	0.06600	0.06600
95	Lithuania	0.01700	0.01700
96	Luxembourg	0.07900	0.07900
97	Madagascar	0.00300	0.00300
98	Malawi	0.00200	0.00200
99	Malaysia	0.23100	0.23100
100	Mali	0.00200	0.00200
101	Malta	0.01500	0.01500
102	Mauritania	0.00100	0.00100
103	Mauritius	0.01100	0.01100
104	Mexico	1.06900	1.06900
105	Moldova, Republic of	0.00200	0.00200
106	Mongolia	0.00100	0.00100
107	Morocco	0.04300	0.04300

	State	ILO Scale of assessments 2003 Col. 1 (%)	Draft ILO Scale of assessments 2004 (1) Col. 2 (%)
108	Mozambique	0.00100	0.00100
109	Myanmar	0.01000	0.01000
110	Namibia	0.00700	0.00700
111	Nepal	0.00400	0.00400
112	Netherlands	1.71100	1.71100
113	New Zealand	0.23700	0.23700
114	Nicaragua	0.00100	0.00100
115	Niger	0.00100	0.00100
116	Nigeria	0.06700	0.06700
117	Norway	0.63600	0.63600
118	Oman	0.06000	0.06000
119	Pakistan	0.06000	0.06000
120	Panama	0.01800	0.01800
121	Papua New Guinea	0.00600	0.00600
122	Paraguay	0.01600	0.01600
123	Peru	0.11600	0.11600
124	Philippines	0.09800	0.09800
125	Poland	0.37200	0.37200
126	Portugal	0.45500	0.45500
127	Qatar	0.03300	0.03300
128	Romania	0.05700	0.05700
129	Russian Federation	1.18200	1.18200
130	Rwanda	0.00100	0.00100
131	Saint Kitts and Nevis	0.00100	0.00100
132	Saint Lucia	0.00200	0.00200
133	Saint Vincent and the Grenadines	0.00100	0.00100
134	San Marino	0.00200	0.00200
135	Sao Tome and Principe	0.00100	0.00100
136	Saudi Arabia	0.54600	0.54500
137	Senegal	0.00500	0.00500
138	Serbia and Montenegro	0.01900	0.01900
139	Seychelles	0.00200	0.00200
140	Sierra Leone	0.00100	0.00100
141	Singapore	0.38700	0.38700
142	Slovakia	0.04200	0.04200
143	Slovenia	0.08000	0.08000
144	Solomon Islands	0.00100	0.00100

	State	ILO Scale of assessments 2003 Col. 1 (%)	Draft ILO Scale of assessments 2004 (1) Col. 2 (%)
145	Somalia	0.00100	0.00100
146	South Africa	0.40200	0.40200
147	Spain	2.48034	2.48034
148	Sri Lanka	0.01600	0.01600
149	Sudan	0.00600	0.00600
150	Suriname	0.00200	0.00200
151	Swaziland	0.00200	0.00200
152	Sweden	1.01109	1.01109
153	Switzerland	1.25400	1.25400
154	Syrian Arab Republic	0.07900	0.07900
155	Tajikistan	0.00100	0.00100
156	Tanzania, United Republic of	0.00400	0.00400
157	Thailand	0.29000	0.29000
158	the Former Yugoslav Rep. of Macedonia	0.00600	0.00600
159	Togo	0.00100	0.00100
160	Trinidad and Tobago	0.01600	0.01600
161	Tunisia	0.02900	0.02900
162	Turkey	0.43300	0.43300
163	Turkmenistan	0.00300	0.00300
164	Uganda	0.00500	0.00500
165	Ukraine	0.05200	0.05200
166	United Arab Emirates	0.19900	0.19900
167	United Kingdom	5.45100	5.45100
168	United States	22.00000	22.00000
169	Uruguay	0.07900	0.07900
170	Uzbekistan	0.01100	0.01100
171	Vanuatu (2)	–	0.00100
172	Venezuela	0.20500	0.20500
173	Viet Nam	0.01600	0.01600
174	Yemen	0.00600	0.00600
175	Zambia	0.00200	0.00200
176	Zimbabwe	0.00800	0.00800
		100.00000	100.00000

(1) Based on UN scale of assessments for 2003 as adopted by the General Assembly in December 2000 (Res # A/RES/55/5/B-F).
(2) Vanuatu became a Member of the Organization on 22 May 2003. The Finance Committee of Government Representatives of the International Labour Conference has made a separate recommendation in respect of the 2003 rate of assessments (doc. C.F./D.6).

Appendix II

PROPOSED SUMMARIZED BUDGET OF EXPENDITURE AND INCOME FOR 2004-05

	Expenditure			Income			
	2002-03 Budget	2004-05 Estimates		2002-03 Budget		2004-05 Estimates	
	US\$	US\$		US\$	SF	US\$	SF
Part I Ordinary budget	433,165,000	528,715,000	Contributions from Member States	434,040,000	768,250,800	529,590,000	709,650,600
Part II Unforeseen expenditure	875,000	875,000					
Total Budget	434,040,000	529,590,000		434,040,000	768,250,800	529,590,000	709,650,600

Appendix III

Proposed expenditure budget by appropriation line (in US dollars)

Item	2002-03 Budget	2004-05 Estimates (in constant 2002-03 dollars)	2004-05 Estimates (recosted) 1.77 to 1.34
PART I. ORDINARY BUDGET			
A. Policy-making organs	53,061,438	51,463,182	67,131,778
B. Strategic objectives	329,306,103	331,256,996	396,552,275
1. Standards and fundamental principles and rights at work	57,658,894	58,167,538	70,521,791
2. Employment	105,171,484	105,234,284	125,496,063
3. Social protection	57,161,882	59,917,872	72,466,507
4. Social dialogue	109,313,843	107,937,302	128,067,914
C. Management services	35,523,576	35,276,195	45,112,791
D. Other budgetary provisions	18,949,160	18,843,904	24,459,087
Adjustment for staff turnover	-3,675,277	-3,675,277	-4,540,931
	<hr/>	<hr/>	<hr/>
Total Part I	433,165,000	433,165,000	528,715,000
PART II. UNFORESEEN EXPENDITURE			
Unforeseen expenditure	875,000	875,000	875,000
PART III. WORKING CAPITAL FUND			
Working Capital Fund	-	-	-
	<hr/>	<hr/>	<hr/>
Total Parts I-III	<u>434,040,000</u>	<u>434,040,000</u>	<u>529,590,000</u>

Appendix IV

INCOME BUDGET FOR 2004-2005
STATEMENT OF CONTRIBUTIONS DUE FROM MEMBER STATES FOR 2004
(In Swiss francs)

Member States	Assessed Contribution for 2004		Credits from Working Capital Fund	Earned Credits Distributed in Respect of :												Total Credits	Net Contribution for 2004
				2002	1982 - 83	1990 - 91		1992 - 93		1994 - 95	1996 - 97	1998 - 99		2000 - 01			
	%	Amount		Incentive Scheme	Cash Surplus	50% Net Premium	Cash Surplus	50% Net Premium	Cash Surplus	50% Net Premium	50% Net Premium	50% Net Premium	Cash Surplus	50% Net Premium	Cash Surplus		
1 Afghanistan	0.00900	31,934	28,386	-	-	-	-	-	-	272	89	742	225	193	304	30,211	1,723
2 Albania	0.00300	10,645	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,645
3 Algeria	0.06900	244,829	-	-	-	-	-	-	-	-	-	-	-	-	-	-	244,829
4 Angola	0.00200	7,097	-	1	-	-	-	-	-	-	-	-	-	-	-	1	7,097
5 Antigua and Barbuda	0.00200	7,097	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,097
6 Argentina	1.13100	4,013,074	620,944	-	-	-	-	-	-	-	-	-	-	-	-	620,944	3,392,130
7 Armenia	0.00200	7,097	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,097
8 Australia	1.60200	5,684,301	-	1,150	-	-	-	-	-	-	-	-	-	-	-	1,150	5,683,151
9 Austria	0.93200	3,306,972	-	656	-	-	-	-	-	-	-	-	-	-	-	656	3,306,316
10 Azerbaijan	0.00400	14,193	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,193
11 Bahamas	0.01200	42,579	-	8	-	-	-	-	-	-	-	-	-	-	-	8	42,571
12 Bahrain	0.01800	63,869	-	11	-	-	-	-	-	-	-	-	-	-	-	11	63,858
13 Bangladesh	0.01000	35,483	-	6	-	-	-	-	-	-	-	-	-	-	-	6	35,477
14 Barbados	0.00900	31,934	-	-	-	-	-	-	-	-	-	-	-	513	810	1,323	30,611
15 Belarus	0.01900	67,417	-	-	-	-	-	-	-	-	-	-	-	3,593	5,670	9,263	58,154
16 Belgium	1.11200	3,945,657	-	783	-	-	-	-	-	-	-	-	-	-	-	783	3,944,874
17 Belize	0.00100	3,548	-	1	-	-	-	-	-	-	-	-	-	-	-	1	3,547
18 Benin	0.00200	7,097	-	-	-	-	-	-	-	-	-	-	-	128	202	330	6,767
19 Bolivia	0.00800	28,386	-	-	-	-	-	-	-	-	-	-	-	449	709	1,158	27,228
20 Bosnia and Herzegovina	0.00400	14,193	-	-	-	-	108	291	1,090	100	856	260	289	456	3,450	10,743	
21 Botswana	0.01000	35,483	-	5	-	-	-	-	-	-	-	-	-	-	-	5	35,478
22 Brazil	2.35300	8,349,039	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,349,039
23 Bulgaria	0.01300	46,127	-	8	-	-	-	-	-	-	-	-	-	-	-	8	46,119
24 Burkina Faso	0.00200	7,097	-	1	-	-	-	-	-	-	-	-	-	-	-	1	7,096
25 Burundi	0.00100	3,548	-	1	-	-	-	-	-	-	-	-	-	64	101	166	3,382
26 Cambodia	0.00200	7,097	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,097
27 Cameroon	0.00900	31,934	-	7	-	-	-	-	-	-	-	-	-	-	-	7	31,927
28 Canada	2.51900	8,938,049	-	1,826	-	-	-	-	-	-	-	-	-	-	-	1,826	8,936,223
29 Cape Verde	0.00100	3,548	-	-	-	-	93	249	-	-	-	-	-	-	-	342	3,206
30 Central African Republic	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,548
31 Chad	0.00100	3,548	-	-	-	-	-	-	272	89	-	-	64	101	526	3,022	
32 Chile	0.20900	741,585	-	-	-	-	-	-	-	-	-	-	-	-	-	-	741,585
33 China	1.50900	5,354,314	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,354,314
34 Colombia	0.19800	702,554	-	115	-	-	-	-	-	-	-	-	-	-	-	115	702,439
35 Comoros	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,548
36 Congo	0.00100	3,548	-	-	-	-	-	-	-	-	742	225	193	304	1,464	2,084	
37 Costa Rica	0.01900	67,417	-	14	-	-	-	-	-	-	-	-	-	-	-	14	67,403
38 Côte d'Ivoire	0.00900	31,934	-	5	-	-	-	-	-	-	-	-	-	577	911	1,493	30,441
39 Croatia	0.03800	134,834	-	4	-	-	-	-	-	-	-	-	-	1,860	2,936	4,800	130,034
40 Cuba	0.02900	102,899	-	19	-	-	-	-	-	-	-	-	-	1,540	2,430	3,989	98,910
41 Cyprus	0.03700	131,285	-	26	-	-	-	-	-	-	-	-	-	-	-	26	131,259
42 Czech Republic	0.20000	709,651	-	116	-	-	-	-	-	-	-	-	-	-	-	116	709,535
43 Democratic Republic of the Congo	0.00400	14,193	-	2	-	-	-	-	-	-	-	-	-	-	-	2	14,191
44 Denmark	0.73800	2,618,611	-	533	-	-	-	-	-	-	-	-	-	-	-	533	2,618,078
45 Djibouti	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,548
46 Dominica	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	64	101	165	3,383	

INCOME BUDGET FOR 2004-2005
STATEMENT OF CONTRIBUTIONS DUE FROM MEMBER STATES FOR 2004
(In Swiss francs)

Member States	Assessed Contribution for 2004 % Amount		Credits from Working Capital Fund	Earned Credits Distributed in Respect of :												Total Credits	Net Contribution for 2004
				2002 Incentive Scheme	1982 - 83 Cash Surplus	1990 - 91		1992 - 93		1994 - 95 50% Net Premium	1996 - 97 50% Net Premium	1998 - 99		2000 - 01			
						50% Net Premium	Cash Surplus	50% Net Premium	Cash Surplus			50% Net Premium	Cash Surplus	50% Net Premium	Cash Surplus		
47 Dominican Republic	0.02200	78,062	-	14	-	1,606	2,113	232	623	545	89	-	-	-	-	5,222	72,840
48 Ecuador	0.02400	85,158	-	-	-	-	-	-	-	-	-	2,282	692	1,283	2,025	6,282	78,876
49 Egypt	0.08000	283,860	-	55	-	-	-	-	-	-	-	-	-	-	-	55	283,805
50 El Salvador	0.01800	63,869	-	10	-	-	-	-	-	-	-	-	-	-	-	10	63,859
51 Equatorial Guinea	0.00100	3,548	-	-	-	-	-	93	249	272	89	628	190	64	101	1,686	1,862
52 Eritrea	0.00100	3,548	-	1	-	-	-	-	-	-	-	-	-	-	-	1	3,547
53 Estonia	0.01000	35,483	-	6	-	-	-	-	-	-	-	-	-	-	-	6	35,477
54 Ethiopia	0.00400	14,193	-	3	-	-	-	-	-	-	-	-	-	-	-	3	14,190
55 Fiji	0.00400	14,193	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,193
56 Finland	0.51400	1,823,802	-	369	-	-	-	-	-	-	-	-	-	-	-	369	1,823,433
57 France	6.36700	22,591,727	-	4,241	-	-	-	-	-	-	-	-	-	-	-	4,241	22,587,486
58 Gabon	0.01400	49,675	-	-	-	-	-	-	-	-	-	-	-	962	1,519	2,481	47,194
59 Gambia	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,548
60 Georgia	0.00500	17,741	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,741
61 Germany	9.62000	34,134,194	-	3,141	-	-	-	-	-	-	-	-	-	-	-	3,141	34,131,053
62 Ghana	0.00500	17,741	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,741
63 Greece	0.53100	1,884,122	-	-	-	-	-	-	-	-	-	-	-	22,197	35,032	57,229	1,826,893
64 Grenada	0.00100	3,548	-	1	-	-	-	-	-	-	-	-	-	-	-	1	3,547
65 Guatemala	0.02600	92,255	-	15	-	-	-	-	-	-	-	-	-	-	-	15	92,240
66 Guinea	0.00300	10,645	-	-	-	-	-	-	-	-	89	742	225	193	304	1,553	9,092
67 Guinea-Bissau	0.00100	3,548	-	-	-	535	705	-	-	-	-	-	-	-	-	1,240	2,308
68 Guyana	0.00100	3,548	-	1	-	-	-	-	-	-	-	-	-	-	-	1	3,547
69 Haiti	0.00200	7,097	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,097
70 Honduras	0.00500	17,741	-	2	-	-	-	-	-	-	-	-	-	-	-	2	17,739
71 Hungary	0.11800	418,694	-	86	-	-	-	-	-	-	-	-	-	-	-	86	418,608
72 Iceland	0.03200	113,544	-	23	-	-	-	-	-	-	-	-	-	-	-	23	113,521
73 India	0.33600	1,192,213	-	243	-	-	-	-	-	-	-	-	-	-	-	243	1,191,970
74 Indonesia	0.19700	699,006	-	-	-	-	-	-	-	-	-	-	-	11,868	18,731	30,599	668,407
75 Iran, Islamic Republic of	0.26800	950,932	-	-	-	-	-	-	-	-	-	35,947	10,904	10,136	15,997	72,984	877,948
76 Iraq	0.13400	475,466	-	-	-	-	-	-	-	-	-	-	-	-	-	-	475,466
77 Ireland	0.29000	1,028,993	-	115	-	-	-	-	-	-	-	-	-	-	-	115	1,028,878
78 Israel	0.40900	1,451,235	-	-	-	-	-	-	-	-	-	34,235	10,385	-	-	44,620	1,406,615
79 Italy	4.98753	17,697,018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,697,018
80 Jamaica	0.00400	14,193	-	3	-	-	-	-	-	-	-	-	-	-	-	3	14,190
81 Japan	19.21804	68,190,468	-	-	-	-	-	-	-	-	-	-	-	-	-	-	68,190,468
82 Jordan	0.00800	28,386	-	4	-	-	-	-	-	-	-	-	-	-	-	4	28,382
83 Kazakhstan	0.02700	95,803	-	-	-	-	-	955	2,569	-	-	-	-	3,015	4,759	11,298	84,505
84 Kenya	0.00800	28,386	-	5	-	-	-	-	-	-	-	-	-	-	-	5	28,381
85 Kiribati	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	61	97	158	3,390
86 Korea, Republic of	1.82300	6,468,465	-	64	-	-	-	-	-	-	-	-	-	-	-	64	6,468,401
87 Kuwait	0.14500	514,497	-	100	-	-	-	-	-	-	-	-	-	-	-	100	514,397
88 Kyrgyzstan	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,548
89 Lao People's Democratic Republic	0.00100	3,548	-	-	-	-	-	-	-	-	89	-	-	-	-	89	3,459
90 Latvia	0.01000	35,483	-	7	-	-	-	-	-	3,541	-	-	-	-	-	3,548	31,935
91 Lebanon	0.01200	42,579	-	1	-	-	-	-	-	-	-	-	-	1,026	1,620	2,647	39,932
92 Lesotho	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	128	202	330	3,218

INCOME BUDGET FOR 2004-2005
STATEMENT OF CONTRIBUTIONS DUE FROM MEMBER STATES FOR 2004
(In Swiss francs)

Member States	Assessed Contribution for 2004 % Amount		Credits from Working Capital Fund	Earned Credits Distributed in Respect of :												Total Credits	Net Contribution for 2004	
				2002 Incentive Scheme	1982 - 83 Cash Surplus	1990 - 91		1992 - 93		1994 - 95 50% Net Premium	1996 - 97 50% Net Premium	1998 - 99		2000 - 01				
						50% Net Premium	Cash Surplus	50% Net Premium	Cash Surplus			50% Net Premium	Cash Surplus	50% Net Premium	Cash Surplus			
93 Liberia	0.00100	3,548	-	-	-	535	705	-	-	-	-	-	-	128	202	1,570	1,978	
94 Libyan Arab Jamahiriya	0.06600	234,185	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	234,185
95 Lithuania	0.01700	60,320	-	12	-	-	-	-	-	-	-	-	-	-	-	-	12	60,308
96 Luxembourg	0.07900	280,312	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	280,312
97 Madagascar	0.00300	10,645	-	-	-	-	-	-	-	-	-	-	-	193	304	497	10,148	
98 Malawi	0.00200	7,097	-	1	-	-	-	-	-	-	-	685	208	128	202	1,224	5,873	
99 Malaysia	0.23100	819,646	-	162	-	-	-	-	-	-	-	-	-	-	-	-	162	819,484
100 Mali	0.00200	7,097	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,097
101 Malta	0.01500	53,224	-	11	-	-	-	-	-	-	-	-	-	-	-	-	11	53,213
102 Mauritania	0.00100	3,548	-	-	-	-	-	-	-	-	-	628	190	64	101	983	2,565	
103 Mauritius	0.01100	39,031	-	8	-	-	-	-	-	-	-	-	-	-	-	-	8	39,023
104 Mexico	1.06900	3,793,082	-	241	-	-	-	-	-	-	-	-	-	-	-	-	241	3,792,841
105 Moldova, Republic of	0.00200	7,097	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,097
106 Mongolia	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,548
107 Morocco	0.04300	152,575	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	152,575
108 Mozambique	0.00100	3,548	-	1	-	-	-	-	-	-	-	-	-	64	101	166	3,382	
109 Myanmar	0.01000	35,483	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,483
110 Namibia	0.00700	24,838	-	5	-	-	-	-	-	-	-	-	-	-	-	-	5	24,833
111 Nepal	0.00400	14,193	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,193
112 Netherlands	1.71100	6,071,061	-	1,195	-	-	-	-	-	-	-	-	-	-	-	-	1,195	6,069,866
113 New Zealand	0.23700	840,936	-	158	-	-	-	-	-	-	-	-	-	-	-	-	158	840,778
114 Nicaragua	0.00100	3,548	-	1	-	-	-	-	-	-	-	-	-	-	-	-	1	3,547
115 Niger	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,548
116 Nigeria	0.06700	237,733	-	34	-	-	-	-	-	-	-	-	-	-	-	-	34	237,699
117 Norway	0.63600	2,256,689	-	435	-	-	-	-	-	-	-	-	-	-	-	-	435	2,256,254
118 Oman	0.06000	212,895	-	9	-	-	-	-	-	-	-	-	-	3,208	5,062	8,279	204,616	
119 Pakistan	0.06000	212,895	-	-	-	-	-	-	-	-	-	-	-	3,721	5,872	9,593	203,302	
120 Panama	0.01800	63,869	-	13	-	-	-	-	-	-	-	-	-	-	-	-	13	63,856
121 Papua New Guinea	0.00600	21,290	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,290
122 Paraguay	0.01600	56,772	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56,772
123 Peru	0.11600	411,597	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	411,597
124 Philippines	0.09800	347,729	-	-	-	-	-	-	-	-	-	-	-	5,132	8,100	13,232	334,497	
125 Poland	0.37200	1,319,950	-	218	-	-	-	-	-	-	-	-	-	-	-	-	218	1,319,732
126 Portugal	0.45500	1,614,455	-	16	-	-	-	-	-	-	-	-	-	27,200	42,930	70,146	1,544,309	
127 Qatar	0.03300	117,092	-	20	-	-	-	-	-	-	-	-	-	-	-	-	20	117,072
128 Romania	0.05700	202,250	-	38	-	-	-	-	-	-	-	-	-	-	-	-	38	202,212
129 Russian Federation	1.18200	4,194,035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,194,035
130 Rwanda	0.00100	3,548	-	1	-	-	-	-	-	-	-	628	190	64	101	984	2,564	
131 Saint Kitts and Nevis	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	64	101	165	3,383	
132 Saint Lucia	0.00200	7,097	-	1	-	-	-	-	-	-	-	-	-	-	-	-	1	7,096
133 Saint Vincent and the Grenadines	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	64	101	165	3,383	
134 San Marino	0.00200	7,097	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,097
135 Sao Tome and Principe	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,548
136 Saudi Arabia	0.54500	1,933,798	-	353	-	-	-	-	-	-	-	-	-	-	-	-	353	1,933,445
137 Senegal	0.00500	17,741	-	1	-	-	-	-	-	-	-	913	277	385	608	2,184	15,557	
138 Serbia and Montenegro	0.01900	67,417	-	1	-	-	-	-	-	-	-	-	-	728	1,149	1,878	65,539	

INCOME BUDGET FOR 2004-2005
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(In Swiss francs)

Member States	Assessed Contribution for 2004		Credits from Working Capital Fund	Earned Credits Distributed in Respect of :												Total Credits	Net Contribution for 2004	
				2002	1982 - 83	1990 - 91		1992 - 93		1994 - 95	1996 - 97	1998 - 99		2000 - 01				
	%	Amount		Incentive Scheme	Cash Surplus	50% Net Premium	Cash Surplus	50% Net Premium	Cash Surplus	50% Net Premium	50% Net Premium	50% Net Premium	Cash Surplus	50% Net Premium	Cash Surplus			
139 Seychelles	0.00200	7,097	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,097
140 Sierra Leone	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,548
141 Singapore	0.38700	1,373,174	-	26	-	-	-	-	-	-	-	-	-	-	-	-	26	1,373,148
142 Slovakia	0.04200	149,027	-	30	-	-	-	-	-	-	-	-	-	-	-	-	30	148,997
143 Slovenia	0.08000	283,860	-	54	-	-	-	-	-	-	-	-	-	-	-	-	54	283,806
144 Solomon Islands	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,548
145 Somalia	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,548
146 South Africa	0.40200	1,426,398	-	274	-	-	-	-	-	-	-	-	-	-	-	-	274	1,426,124
147 Spain	2.48034	8,800,874	-	1,541	-	-	-	-	-	-	-	-	-	-	-	-	1,541	8,799,333
148 Sri Lanka	0.01600	56,772	-	9	-	-	-	-	-	-	-	-	-	-	-	-	9	56,763
149 Sudan	0.00600	21,290	-	-	-	-	-	-	-	-	-	970	294	-	-	-	1,264	20,026
150 Suriname	0.00200	7,097	-	-	-	-	-	-	-	-	-	799	242	-	-	-	1,041	6,056
151 Swaziland	0.00200	7,097	-	1	-	-	-	-	-	-	-	-	-	-	-	-	1	7,096
152 Sweden	1.01109	3,587,603	-	702	-	-	-	-	-	-	-	-	-	-	-	-	702	3,586,901
153 Switzerland	1.25400	4,449,509	-	891	-	-	-	-	-	-	-	-	-	-	-	-	891	4,448,618
154 Syrian Arab Republic	0.07900	280,312	-	46	-	-	-	-	-	-	-	-	-	-	-	-	46	280,266
155 Tajikistan	0.00100	3,548	-	-	-	-	-	23	61	-	-	-	-	-	-	-	84	3,464
156 Tanzania, United Republic of	0.00400	14,193	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,193
157 Thailand	0.29000	1,028,993	-	180	-	-	-	-	-	-	-	-	-	-	-	-	180	1,028,813
158 The form.Yug. Rep. of Macedonia	0.00600	21,290	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,290
159 Togo	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,548
160 Trinidad and Tobago	0.01600	56,772	-	10	-	-	-	-	-	-	-	-	-	-	-	-	10	56,762
161 Tunisia	0.02900	102,899	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	102,899
162 Turkey	0.43300	1,536,394	-	167	-	-	-	-	-	-	-	-	-	-	-	-	167	1,536,227
163 Turkmenistan	0.00300	10,645	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,645
164 Uganda	0.00500	17,741	-	4	-	-	-	-	-	-	-	-	-	-	-	-	4	17,737
165 Ukraine	0.05200	184,509	-	37	-	-	-	-	-	-	-	-	-	-	-	-	37	184,472
166 United Arab Emirates	0.19900	706,102	-	110	-	-	-	-	-	-	-	-	-	-	-	-	110	705,992
167 United Kingdom	5.45100	19,341,527	-	750	-	-	-	-	-	-	-	-	-	-	-	-	750	19,340,777
168 United States	22.00000	78,061,566	-	-	-	-	-	-	-	-	-	-	-	1,603,795	2,531,223	4,135,018	73,926,548	
169 Uruguay	0.07900	280,312	-	-	-	-	-	-	-	-	-	-	-	3,015	4,759	7,774	272,538	
170 Uzbekistan	0.01100	39,031	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39,031
171 Vanuatu	0.00100	3,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,548
172 Venezuela	0.20500	727,392	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	727,392
173 Viet Nam	0.01600	56,772	-	-	1,654	-	-	-	-	-	-	-	-	-	-	-	1,654	55,118
174 Yemen	0.00600	21,290	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,290
175 Zambia	0.00200	7,097	-	-	-	-	-	-	-	-	-	685	208	-	-	-	893	6,204
176 Zimbabwe	0.00800	28,386	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,386
TOTAL	100.00000	354,825,300	649,330	21,575	1,654	2,676	3,523	1,504	4,042	5,992	634	81,482	24,715	1,708,413	2,696,338	5,201,878	349,623,422	

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