



**Second item on the agenda:
Programme and Budget proposals
for 2006-07 and other questions**

**Second report of the Finance Committee
of Government Representatives**

1. The Finance Committee of Government Representatives met on 1, 2, 3 and 9 June 2005 with Mr. J-J. Elmiger (Switzerland) as Chairperson and Reporter and Ambassador Burayzat (Jordan) as Vice-Chairperson.

**Request of the Government of Togo, under paragraph 4
of article 13 of the Constitution of the International
Labour Organization, for permission to vote**

2. The Committee had before it a request (document C.F./D.8) from the Government of Togo for permission to vote at the Conference. This request was referred to the Finance Committee as a matter of urgency in accordance with paragraph 1 of article 31 of the Standing Orders of the Conference. The text of the request, dated 2 June 2005, is as follows:

Ministry of the Public Service,
Labour and Employment,
Office of the Minister,
Lomé, Republic of Togo.

2 June 2005

Dear Mr. Somavia,

I have the honour to inform you that the Government of Togo wishes to settle the arrears in contributions due to the International Labour Organization and to recover its right to vote in order to participate actively in the work of the Organization.

My country paid its contributions regularly until 1990, when a period of social and economic disruption began which hampered its development efforts.

Since 2003, however, the Government has decided to settle its arrears, and in June 2004 it paid an initial instalment, to be followed by others.

I would therefore appreciate it if you would submit the following proposal for the settlement of arrears in contributions owed by Togo to the competent department of the International Labour Office.

- (a) For 2005, Togo will settle the full amount of its contribution, assessed at 3,548 Swiss francs, as a token of the Government's willingness to regularize its situation.

(b) Togo will settle the arrears in contributions that have accumulated up to the end of 2004, i.e. the contributions due for the period 1992-2004, totalling 213,453 Swiss francs, in seven annual instalments of 27,924 Swiss francs each, plus a final instalment of 17,985 Swiss francs.

(c) Togo will pay its subsequent years' contributions in the year in which they become due.

I would be grateful if you would transmit to the 93rd Session of the International Labour Conference my Government's request to be authorized to vote and to enjoy its other rights in the Organization, in accordance with article 13, paragraph 4, of the Constitution of the ILO.

Please accept the assurance of my highest consideration.

(Signed and stamped) Rodolphe Kossivi Osseyi,
Minister.

3. The Committee noted the provisions of paragraph 4 of article 13 of the Constitution of the ILO, also articles 31 and 32 of the Standing Orders of the Conference, the texts of which appear in Appendix 1 to this report.

4. In examining the financial relations between Togo and the ILO, the Committee noted that the last payments made by Togo to the ILO in respect of its assessed contributions were the following:

Date of payment	Amount in Swiss francs	Details of payment
19 March 1991	32 438	Balance of 1989 and part of 1990 contribution
2 September 1992	29 499	Balance of 1990, full 1991 and part of 1992 contribution
7 June 2004	27 924	Part of 1992 contribution

Contributions outstanding at 31 December 2004 amounted to 213,453 Swiss francs, covering the assessed contributions from 1992 to 2004. The 2005 contribution of 3,548 Swiss francs had also not been paid.

5. *The Committee, being satisfied that the failure of Togo to pay its arrears was due to conditions beyond its control, in accordance with the provisions of paragraph 4 of article 31 of the Standing Orders of the Conference, reports to the Conference as follows:*

(a) that the failure of Togo to pay in full the amounts owing was due to conditions beyond its control as explained in the letter in paragraph 2 above;

(b) that the financial relations between Togo and the Organization have been set out in paragraph 4 above.

6. *The Committee accordingly recommends the adoption by the Conference of the resolution concerning the granting to Togo of permission to vote under paragraph 4 of article 13 of the Constitution of the International Labour Organization, the text of which appears at the end of this report.*

Request of the Government of Georgia, under paragraph 4 of article 13 of the Constitution of the International Labour Organization, for permission to vote

7. The Committee had before it a request (document C.F./D.9) from the Government of Georgia for permission to vote at the Conference. This request was referred to the Finance Committee as a matter of urgency in accordance with paragraph 1 of article 31 of the Standing Orders of the Conference. The text of the request, dated 18 May 2005, is as follows:

Minister of Foreign Affairs of Georgia

Tbilisi, May 18, 2005

Your Excellency,

I have the honour to inform you that the Government of Georgia wishes to regularize the arrears of contributions due by it to the International Labour Organization (ILO) and regain its right to vote, and at the same time would like to make a proposal to settle its arrears of contributions.

I would like to point out that the non-payment of contributions by the previous Government of Georgia was due to the following reasons:

- Economic crisis caused by the dissolution of the former USSR; Georgia is among the transition economies that have suffered most during the past decade.
- Civil unrest and conflicts in Abkhazia and Tskhinvali region in early 1990's.
- Georgia has 300,000 refugees and internally displaced persons from the "frozen conflicts" in Abkhazia and Tskhinvali region that are still heavy burdens for our budget.
- A number of external shocks did in fact greatly influence the economic development of Georgia in 1998-2001. Among them the most negative impacts on Georgian economy have Russian and Turkish financial crises.
- Severe droughts in 1998 and in 2000 affected almost all of the country and created energy shortages by limiting hydroelectric power generation.
- The increase in the price of energy imports, as well as some other additional negative facts, also had a considerable adverse impact on the country's development.

Thus, the abovementioned problems during the time of the transition period did not permit the previous Government of Georgia to settle the arrears of contribution.

Measures provided by the new Government of Georgia directed for generating economic development and increasing of tax collection allow Georgia to begin settlement of outstanding arrears of contributions with major International Organizations. The Government of Georgia hereby reaffirms its commitment to the goals and principles of ILO and would like further to take its full part in the activities of the Organization.

I would therefore kindly request that you submit the following proposal for the settlement of Georgia's arrears of contribution to the Finance Committee of the International Labour Conference at its 93rd session.

- (a) For 2005, Georgia will pay in full its assessed contribution of 10,645 Swiss francs in order to demonstrate our commitment.
- (b) Georgia will settle, up to the end of 2019, the arrears of contribution that have accumulated, amounting in total to 3,071,902 Swiss francs, by 14 annual instalments in accordance with the following schedule.

Years	% of arrears	Amount (in Swiss francs)
2006	1.5	46 079
2007	2.0	61 438
2008	2.0	61 438
2009	2.0	61 438
2010	2.0	61 438
2011	4.0	122 876
2012	5.0	153 595
2013	5.0	153 595
2014	10.0	307 190
2015	12.0	368 628
2016	12.0	368 628
2017	14.0	430 066
2018	14.0	430 066
2019	14.5	445 427
	Total	3 071 902

- (c) Georgia also will settle subsequent years' contributions in the year in which they become due.

On behalf of the Government of Georgia, I would further request that you transmit to the 93rd session of International Labour Conference my Government's request that it be permitted to vote and enjoy other rights in the Organization in accordance with article 13, paragraph 4 of the ILO.

In the hope that this proposal will receive favourable consideration, I assure you, Mr. Director-General, of my highest consideration.

Yours sincerely,

[Signed]

Salome Zourabishvili.

8. The Committee noted the provisions of paragraph 4 of article 13 of the Constitution of the ILO, also articles 31 and 32 of the Standing Orders of the Conference, the texts of which appear in Appendix 1 to this report.
9. Georgia became a Member of the Organization on 22 June 1993 since which it had made no payments to the ILO in respect of its assessed contributions. Contributions outstanding at 31 December 2004 amounted to 3,071,902 Swiss francs, covering the assessed contributions from 1993 to 2004. The 2005 contribution of 10,645 Swiss francs had also not been paid.
10. *The Committee, being satisfied that the failure of Georgia to pay its arrears was due to conditions beyond its control, in accordance with the provisions of paragraph 4 of article 31 of the Standing Orders of the Conference, reports to the Conference as follows:*
- (a) *that the failure of Georgia to pay in full the amounts owing was due to conditions beyond its control as explained in the letter in paragraph 7 above;*
- (b) *that the financial relations between Georgia and the Organization have been set out in paragraph 9 above.*

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11. *The Committee accordingly recommends the adoption by the Conference of the resolution concerning the granting to Georgia of permission to vote under paragraph 4 of article 13 of the Constitution of the International Labour Organization, the text of which appears at the end of this report.*

Request of the Government of Iraq, under paragraph 4 of article 13 of the Constitution of the International Labour Organization, for permission to vote

12. The Committee had before it a request (document C.F./D.10) from the Government of Iraq for permission to vote at the Conference. This request was referred to the Finance Committee as a matter of urgency in accordance with paragraph 1 of article 31 of the Standing Orders of the Conference. The text of the request, dated 8 June 2005, is as follows:

Republic of Iraq,
Ministry of Labour and Social Affairs,
Baghdad, Iraq.
8 June 2005

Dear Director-General of the International Labour Organization,

Reference is made to our meeting on Tuesday, 7 June 2005 with Ms. Patricia O'Donovan, Executive Director Management and Administration, and Mr. Greg Johnson, Treasurer and Financial Comptroller. We explained in that meeting that for reasons beyond the control of our Government, in particular, the significant reduction in Iraqi oil exports due to the terrorist acts against our oil pipelines and other installations, our Government has not had the financial means to pay its arrears of contribution to the International Labour Organization nor its annual contributions.

To enable us to honour our commitments to your Organization, we kindly request that the settlement of arrears be over a period of twenty years instead of the present 10 year period.

We will take immediate measures to pay the 2005 contribution of 56,772 Swiss francs and the new instalment amount of 306,390 Swiss francs.

Thank you for your kind cooperation.

(Signed)
Dr. Idris Hadi Salih,
Minister of Labour and Social Affairs
of Iraq.

(Signed)
Baha Al Shibib,
Ambassador,
Permanent Representative of Iraq.

13. The Committee noted the provisions of paragraph 4 of article 13 of the Constitution of the ILO, also articles 31 and 32 of the Standing Orders of the Conference, the texts of which appear in Appendix I to this report.
14. In examining the financial relations between Iraq and the ILO, the Committee noted that the last payment made by Iraq to the ILO in respect of its assessed contributions was the following:

Date of payment	Amount in Swiss francs	Details of payment
28 February 1990	116 399	Part 1988 contribution

At its 92nd (2004) Session of the International Labour Conference adopted an arrangement proposed by the Government of Iraq for the settlement of arrears of contribution due for the period of 1988-2003 of 5,652,327 Swiss francs. Under the terms of the agreement, Iraq was to pay in full its contribution for the year 2004 and an amount of 657,327 Swiss francs in

2004 and to settle its arrears in ten annual instalments, beginning in 2005. No payments had been received. Contributions outstanding at 31 December 2004 amounted to 6,127,793 Swiss francs, covering the assessed contributions from 1988 to 2004. The 2005 contribution of 56,772 Swiss francs had also not been paid.

15. *The Committee, being satisfied that the failure of Iraq to pay its arrears was due to conditions beyond its control, in accordance with the provisions of paragraph 4 of article 31 of the Standing Orders of the Conference, reports to the Conference as follows:*

(a) that the failure of Iraq to pay in full the amounts owing was due to conditions beyond its control as explained in the letter in paragraph 12 above;

(b) that the financial relations between Iraq and the Organization have been set out in paragraph 14 above.

16. *The Committee accordingly recommends the adoption by the Conference of the resolution concerning the granting to Iraq of permission to vote under paragraph 4 of article 13 of the Constitution of the International Labour Organization, the text of which appears at the end of this report.*

Status of collection of member States' contributions

17. The Committee had before it document C.F./D.4 containing information on the status of collection of member States' contributions as at 27 May 2005.

18. The 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
Democratic Republic of Congo	49 164
Paraguay	42 579
Morocco	166 582
Total	258 325

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

Composition of the Administrative Tribunal of the International Labour Organization

20. The Committee had before it Report II: Draft Programme and Budget 2006-07 and other financial questions, containing a draft resolution concerning appointments to the Administrative Tribunal of the ILO. The Chairperson explained that there had been no further nominations of a replacement for the judge whose term of office expired in June 2005 and that this issue would be taken up at the November session of the Programme, Financial and Administrative Committee.

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

Assessment of contributions of new member States

- 22.** The Committee had before it Report II: Draft Programme and Budget 2006-07 and other financial questions, containing details of the proposed rate of assessment of the contribution of Samoa.
- 23. *The Committee recommends that the Conference adopt the resolution, the text of which appears at the end of this report.***

Scale of assessments of contributions to the budget for 2006

- 24.** The Committee had before it Report II: Draft Programme and Budget 2006-07 and other financial questions, containing a draft scale of assessments for 2006.
- 25. *The Committee recommends that the Conference adopt the resolution, the text of which appears at the end of this report.***

Other questions

- 26.** There were no papers under this item.

Programme and Budget proposals for 2006-07

- 27.** The Committee had before it the Director-General's programme and budget proposals for the biennium 2006-07 first considered by the Governing Body at its 292nd Session (March 2005). The Committee also had before it Report II: Draft Programme and Budget 2006-07 and other financial questions, containing a report on the consideration of the Director-General's original and revised proposals as approved by the Governing Body.
- 28.** The Director-General submitted to the Finance Committee the programme and budget proposals for the biennium 2006-07 with a proposed expenditure of US\$568.6 million. His remarks accompanying the proposals are attached as Appendix II to this report.
- 29.** Mr. Botha, speaking on behalf of the Employer Vice-Chairperson of the Governing Body, reminded the Committee that the report before them represented a consensus arrived at through a tripartite discussion and that he did not wish to reopen the debate. The process of discussing the programme and budget should be reviewed. The Employers had several improvements to suggest with the aim of making the process more transparent.
- 30.** The programme and budget did not respond to all of the Employers' priorities, but such was the nature of negotiation. However, he supported the development of the decent work country programmes proposed in the Director-General's Report to the Conference and the emphasis on youth employment. He regretted that the document did not prioritize activities according to constituents' needs and that more rationalization and associated savings had not been achieved by eliminating overlaps in departments. Although the level of activities in the regions was being maintained, many activities undertaken in headquarters were to be

decreased which gave cause for concern. The ILO had to maintain its competencies and expertise in issues related to the world of work and should not broaden its activities or shift its focus to other fields outside its mandate. The decrease in the resources of the technical departments was due to heavy investments in three areas: accommodation; security; and new technology. He suggested clearer and better monitoring by the Governing Body, or by specialized tripartite experts, to keep expenditures within budget and to avoid unforeseen expenditure. The proposed programme and budget represented 1.1 per cent real growth. This was a welcome increase but insufficient to cover all investments and, consequently, departments had had to decrease their budgets, including ACT/EMP.

- 31.** Several governments had not been satisfied with the programme and budget proposals. While the Employers understood the need for tighter budgetary policy and more savings, they supported the current programme and budget as a compromise between the need to modernize the ILO and maintain the level of activities for constituents.
- 32.** Mr. Blondel, speaking on behalf of the Worker Vice-Chairperson of the Governing Body, thanked all those countries that paid their contributions regularly. The issue was of great importance for the Workers, who kept abreast of developments during every session of the Governing Body, since delays in the payment of contributions had serious consequences for the Organization's work. He welcomed the fact that contributions to the ILO were based on the United Nations scale of contributions, and hoped that the practice would continue.
- 33.** With regard to the programme and budget proposals, he wished to emphasize three points. First, the budget was a response to the growing demand from various bodies and meetings working for the world of work. Second, it could not be the sole purpose of the budget to pay for staff; a proper balance had to be constantly sought between efficiency and staffing levels. Third, as the Workers had already noted, the principle of zero-growth had resulted in an erosion of 15 per cent of the Organization's resources since 1978. For that reason, the Workers had welcomed the original budget proposals, which had provided for a 4.3 per cent increase, even if that increase meant an additional burden on States including developing countries. After numerous consultations, a consensus had been reached on a 1.1 per cent budget increase. Although that amount was not sufficient, it showed that there was a willingness to accord the world of work its rightful place. It meant, however, that choices would have to be made with regard to activities. While the Workers had regretfully supported such a small budget increase, some countries still expressed reservations. Trade union organizations from these countries shared the view of the Workers' group. It was also important to note that these industrialized countries were in many cases donors of extra-budgetary resources. Failure to implement programmes that had been defined jointly, while funding certain activities on the side, was tantamount to calling tripartism into question.
- 34.** In conclusion, he recalled that the ILO was a source of hope for the world of work, and invited the members of the Committee to adopt the draft resolution submitted by the Governing Body.
- 35.** Speaking on behalf of the Africa group, the Government representative of South Africa believed that the consensus reached in the March 2005 Governing Body would go a long way to promoting decent work in Africa. The International Labour Conference had the responsibility to ensure that Africa was not marginalized. In view of the high rate of ratification of fundamental standards by Africa, Africa needed adequate technical cooperation funds to assist member States to put in place appropriate legislation. Furthermore, the three labour administration centres in Africa needed support from the ILO. The proposed budget was a step in the right direction in the struggle to reduce the decent work deficit and she supported the programme and budget proposals.

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36. The Government representative of El Salvador, speaking on behalf of GRULAC, reiterated his group's statements made at the Governing Body in March 2005. He acknowledged the Office's efforts to adjust the programme to the needs and priorities of constituents when many countries were experiencing economic difficulties. In the revised programme and budget, GRULAC members appreciated the proposed strengthening of the field structure and the strategic objective to strengthen employment, particularly youth employment. They also appreciated the efforts made to reduce the overall budget level. Although these had not completely eliminated the need for increased contributions from member States, the revised level was acceptable. GRULAC was willing to support the budget but stressed that this should not be interpreted as a precedent for other United Nations bodies.
37. The Government representative of Norway, speaking on behalf of the Nordic States (Denmark, Finland, Iceland, Norway and Sweden), stated that the Nordic countries normally supported a zero real growth budget. They had always been strong supporters of the ILO and did not wish to weaken the ILO's ability to meet its goals. The Programme and Budget for 2006-07 proposed an increase of 1.1 per cent in real terms. The Nordic States could accept this but stressed that this could not be a precedent for the future. Nordic countries were still concerned about the distribution of resources between the regions and headquarters and believed that more resources should be shifted to the regions. He was concerned that ILO activities were increasingly dependent on extra-budgetary funding which meant that donors had increased influence over ILO projects. The relationship between regular budget and extra-budgetary resources should be addressed by the Governing Body. He urged the ILO to improve efficiencies and cost-effectiveness and recommended that the ILO take an active part in the wider United Nations process, making better use of the resources of the multilateral system.
38. The Government representative of Saudi Arabia, speaking on behalf of the Gulf States, expressed his concerns regarding the increased budget which was meant to cover the cost of inflation and exchange rate changes. The Gulf States believed that the priorities of the ILO should be reviewed and that the budget should be based on core activities. It should avoid non-urgent activities and there should be better planning regarding recurring costs. This would bring the budget into line with 2004-05 levels. There would be difficult decisions to make but this would be preferable to having to increase assessments every biennium. The Gulf States were prepared to approve the budget but wished to see resources channelled into training activities.
39. The Government representative of Belgium recalled that her Government had supported the proposed 1.1 per cent increase in expenditure at the Governing Body's March 2005 session, and that was still its position. She nevertheless wished to express her concern at the way in which the budget was divided up between the different items, and drew attention to the following points. First, there was a conflict between the ever growing number of requests for assistance received by the Office – justifiably, given the leading role which the Office might play in efforts to combat certain serious problems – and the budget cuts that had been requested. Second, since certain countries gave preference to the use of extrabudgetary resources, there was a risk that that guiding and monitoring role of the Office might be undermined. She noted that the extrabudgetary resources allocated to some of the ILO's sectors of activity amounted to double those from the regular budget. Third, it would not in her view be justified to shorten the Conference and the regional and technical meetings, given their usefulness. Lastly, as institutional expenditure was unavoidable, the ILO needed to provide for the necessary medium- and long-term investment.
40. Speaking on behalf of the governments of the United Kingdom, Canada, the Czech Republic, Hungary, the Netherlands, Japan and the United States, the Government representative of the United Kingdom expressed strong support for the introduction of

results-based management in the ILO. However, she was disappointed that strategic information from IRIS had not been incorporated to a greater extent in the budget. The ILO should further implement results-based budgeting principles, including improving existing indicators. She welcomed the overall aim of Making Decent Work a Global Goal the integrating theme for the period 2006-07, the emphasis on standards and employment creation and the focus on decentralization, provided that this would not involve a net budget increase. The governments she represented felt strongly that the ILO should keep pace with wider United Nations reforms and meet the high standards set by the multilateral system. The ILO would require dynamic leadership, including a well-trained and motivated staff, which would be important in meeting the objectives of the Organization. Clearer results-based budgeting would help make informed decisions about the impact on constituents. She expressed concern that accommodation, staff health and security had been managed in such a way that they now required emergency action. These problems should have been foreseen and she recommended that these priorities be fully integrated into the ILO budget. Measures to ensure the health and safety of staff should not be postponed. There was an urgent need for a review of the whole field structure. Moreover, the ILO should take advantage of common United Nations premises, with the aim of providing more focused ILO assistance to constituents with the greatest need. The ILO should also reconsider the value of holding a three-week annual conference at a cost of US\$5 million. She would welcome a more efficient Conference on timely themes and felt that the International Labour Conference and the Governing Body could make better use of their time. It was difficult to identify the continuing relevance of sectoral activities work and she wondered whether this was a good use of US\$10 million. The issue of over-grading was a problem that needed to be addressed immediately. The schedule of established posts for 2006-07 showed no change over 2004-05 and she sought clarification on this point. The reductions in travel costs were welcomed and she recommended that travel in economy class should be a requirement for ILO staff at all levels and Worker and Employer delegates when travelling at the expense of the ILO, except in extenuating circumstances. On-the-spot reviews by technical cooperation committee members should be discontinued. The IRIS project should not be run as a constant drain on resources but should rather be used as a tool to allow the Office to take advantage of efficiency savings. She encouraged the Office to focus on its strategic objectives and eliminate programmes that were no longer a priority. She urged the Director-General to consult governments at the earliest possible stage in the preparations of the 2008-09 programme and budget.

41. The Government representative of Brazil supported the statement made by El Salvador on behalf of GRULAC. Although his Government considered that the budget was not ideal, it was a good compromise and it would not be appropriate to re-open the debate. Brazil approved the proposed budget.
42. The Government representative of Italy welcomed the focus on results-based budgeting. His Government had hoped to see greater savings from the IRIS project. Cost increases were higher at the ILO than at other United Nations agencies in Geneva. He hoped that the Director-General would show leadership in such difficult budgetary times and wished to see positive changes in the proposals for the next biennium.
43. The Government representative of Switzerland considered that the ILO should have sufficient resources to carry out its activities effectively. She supported the revised programme and budget proposals and called on the constituents to do likewise.
44. The Government representative of the Netherlands supported the statement made by the United Kingdom on behalf of various IMEC members. At the March 2005 Governing Body session, the Netherlands had been unable to support the adjusted programme and budget. He considered examining the programme and budget proposals in the context of the UN reform process, to be a window of opportunity for ensuring the ILO's relevance in

the UN family. He believed it to be essential for the Organization to keep pace with the wider UN reform process. It was in the best interest of all constituents, and not least the ILO itself, to optimize the efficiency and cost-effectiveness, and hence the comparative strength of the ILO. The Netherlands did not see itself engaged in a budget-cutting exercise. The Netherlands could support a “zero real growth plus” budget, provided that the Office offered full transparency in shaping its budget proposals, showed commitment to apply modern management principles and undertook appropriate management reform. The Netherlands, evidently a strong supporter of the ILO and its unique tripartite features, stressed that the ILO should apply sound practices of results-based management and reflect the will to join the UN reform process. He was encouraged by the planned management reforms that were presented to the Finance Committee by the Director-General. His Government would work with others to find a consensus on the budget level.

45. The Government representative of the United States, supporting the statement made by the United Kingdom, expressed his wish to see a budget that was acceptable to all governments. He expressed concern over non-programme expenditures and stressed that significant savings could be made in this area without affecting the ability of the Organization to carry out its programmes. An inability to change would place the ILO out of line with other United Nations organizations and this would affect the support given by some governments. The United States could not accept the revised budget and therefore proposed two changes. First, over-grading was costing the Organization US\$6-10 million per biennium. There were 90 senior positions that could be regraded upon retirement of the incumbents. The ILO was aware of the problem but he believed that more could and should be done immediately or the opportunity to make significant savings would be lost. A reduction of US\$3 million in staff costs should be made. Secondly, he urged the ILO to address the problem of travel costs. These were excessive and a further US\$3 million reduction was possible. There was no lack of support for the ILO activities but his Government felt that the ILO should prioritize and make difficult decisions.
46. The Government representative of France welcomed the fact that the ILO’s constituents had decided to reject the unjustified practice of assuming zero budget growth which, because of its artificial and arbitrary nature, made it impossible to formulate a budget that would allow the Organization to carry out its mandate and cope with non-compressible expenditure. In that respect, he endorsed what Mr. Blondel had said about zero growth. He also noted that the revised proposals were the result of a consensus to which France was party, although it was more supportive of the Director-General’s original proposal, and all States needed to make efforts to that end. Lastly, with regard to the use – all too frequent in his view – of extra-budgetary resources, he had spoken against the practice, which could potentially distort the overall thrust of the Organization’s activities. He therefore supported the revised programme and budget proposals.
47. The Government representative of Jordan explained that he wished to see a budget which effectively met constituents’ needs at the lowest possible cost. Such a budget should have sufficient resources to fund technical assistance programmes, especially in South West Asia and Palestine. The ILO could play a role in the peace process in Palestine by establishing technical programmes which would ensure social justice for all in the region.
48. The Government representative of Lebanon requested information on the final level of the budget and on the Swiss franc/US dollar exchange rate that would be adopted. The budget should give more priority to youth employment and employment creation. Regional programmes for the Arab States would account for only 1.3 per cent of resources. This was insufficient to meet their needs with regard to human resources development and employment, programmes relating to the informal economy and countering the negative impacts of globalization. Far more should be given to technical cooperation in the region for it to remain sustainable and she called for an equitable distribution of allocations for

technical assistance programmes. Such programmes should receive increased regular budget funding. More resources were required for the Arab Centre for Employment and Training in Tunisia and posts which remained vacant in Beirut should be filled urgently. She called for more publications to be available in Arabic, increased representation of the Arabic States amongst the ILO's senior managers and support for the Palestinian Fund for Employment and Social Protection. She also asked that the funding of the Turin Centre be increased.

- 49.** The Government representative of Japan supported the statements made by the Government representatives of the United States and the United Kingdom. There was no lack of confidence in the ILO's activities; rather he wished to see more effective activities within the ILO's mandate. However, the budget structure of the Organization lacked flexibility because of an increase in administrative costs, such as personnel and travel. Action was needed before such inflexibility had an impact on the funding of programmes. The Director-General had mentioned reforms but no concrete proposals had been presented. The use of any future surplus should be decided by constituents and he believed that it should be appropriated for the Building Accommodation Fund and effective technical programmes in the developing countries. He asked that the Office provide a clear vision of savings in order for Japan to support the budget.
- 50.** The Government representative of Portugal supported the programme and budget proposals which had very clear strategic objectives.
- 51.** The Government representative of Spain expressed his country's commitment to the ILO and its four strategic objectives and urged that the ILO should strengthen its role in debates on globalization. He appreciated the effort made by the Office to rationalize certain areas of activity.
- 52.** The Government representative of Senegal endorsed the statement made by the Government representative of South Africa on behalf of the Africa group, and emphasized that the ILO needed to be given the necessary resources for action. An organization's budget was the basis of its activities and thus of its very credibility. He emphasized that in order to achieve a consensus, all the parties had to compromise. Senegal had done so by accepting a reduction in expenditure. He highlighted the crucial role of the ILO in implementing the decisions adopted at the African Union Extraordinary Summit on Employment and Poverty Alleviation in Africa (held in Ouagadougou, Burkina Faso, in September 2004). Lastly, he emphasized that the ILO's activity, in order to have legitimacy, had to be based on the decisions of the ILO's constituent bodies, and that there had to be a balance between regular budget and extrabudgetary resources. In the light of these considerations, he supported the programme and budget proposals that had been submitted.
- 53.** The Government representative of Benin welcomed the ILO's efforts, in particular its programmes aimed at mitigating the damaging effects of globalization and promoting decent work. He said he was in favour of the programme and budget proposals that had been submitted to the Committee.
- 54.** The Government representative of Ukraine gave his full support to the Decent Work Agenda and the need to make decent work a global goal. Whilst implementing the 2006-07 programme, there should be increased focus on social protection, occupational health and safety programmes, the impact of HIV in the workplace, protection of migrant workers and prevention of human trafficking. The revised budget proposals were acceptable and he could join the consensus.

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- 55.** The Government representative of Pakistan commented that the ILO had seen a 15 per cent decline in its regular budget resources since 1978, despite a steady expansion of its role. Zero growth budgets had hampered implementation of programmes, and extra-budgetary funding, that essentially kept the ILO afloat, distorted priorities. The ILO needed to assist countries in employment creation by sharing experiences and giving policy advice. She supported the fact that five areas had been identified as priorities by the Director-General: globalization; poverty alleviation; gender equality; tripartism; and labour standards. Her Government supported the revised budget proposals recommended by the Governing Body.
 - 56.** The Government representative of Canada supported the statement made by the United Kingdom. His country remained committed to results-based management and he acknowledged that much had been achieved in this regard by the ILO. However, there still remained much to do and Canada would continue to seek improvements in the identification of priorities and in obtaining maximum value for money. He would support the revised programme and budget proposals if a consensus emerged.
 - 57.** The Government representative of Argentina supported the statement made by El Salvador on behalf of GRULAC. He reminded the Committee that Argentina had supported the original programme and budget proposals presented in March 2005 but had then been willing to support the revised proposals on the understanding that these met the concerns raised and that basic objectives would not be altered.
 - 58.** The Government representative of Germany recognized the effort that had been made to revise the original programme and budget proposals in order to achieve a reduction in costs. Germany had asked for greater reductions and she still felt that these could be considered. Further savings in specific areas as highlighted by other delegations could be pursued in the course of the next two years. Her country was faced with major budget constraints but it remained a priority for Germany to achieve a consensus and she could accept the revised proposals.
 - 59.** The Government representative of Cameroon associated himself with the statement made by the Government representative of South Africa on behalf of the Africa group. He had observed that other UN agencies whose membership was broadly the same as that of the ILO had obtained budget increases larger than the 1.1 per cent which was under discussion for the ILO. The budget cuts included in the revised proposals were regrettable and would have detrimental results in Africa.
 - 60.** The Government representative of Chile supported the statements made on behalf of GRULAC. He believed that a real effort had been made to meet the needs of all parties but was concerned about the long-term consequences of budget cuts, particularly with regard to staff reductions. The relative importance of voluntary contributions to the ILO was also a concern as it could add to the administrative burden and distort priorities.
 - 61.** The Government representative of Australia commended the Director-General for his strong statements of commitment to efficiency and productivity and urged that the next step be to establish targets and performance indicators. He observed that the intention to absorb around US\$35 million in projected costs for 2006-07 was not yet actual savings and requested the ILO to report back over the course of the biennium, especially on the progress of IRIS. He was disappointed that little progress had been made on the problem of over-grading which required a concerted effort on the part of the Office. Referring to the decision to engage JIU on a review of the ILO's results-based management framework, he looked forward to discussing the outcome. Strategies to manage the impact of inflation and currency fluctuations were also important. Such costs could not be automatically absorbed by Members. Finally, there was a strong need for the ILO to provide a clearer and more

comprehensive picture of the cost, timeliness and quality of ILO outputs. The role of IRIS was an important part of this as were strategies such as benchmarking, total quality management, or the development and application of a balanced score card.

- 62.** The Government representative of Mexico supported the statements made by GRULAC and the global objectives of the Decent Work Agenda. The programme and budget proposals continued to fund decent work country programmes and this, together with the fact that her Government's concerns regarding unforeseen expenditures and the expenditure levels in various items included in Part IV of the budget had been taken into account, meant that she fully endorsed the budget level recommended by the Governing Body. She shared concerns that an increase in extra-budgetary resources could distort the priorities of the ILO.
- 63.** The Government representative of Tunisia supported the Decent Work Agenda and earlier comments made on behalf of the Africa group. Revisions to the programme and budget should not be allowed to negatively impact upon technical cooperation projects in African and Arab countries where they were vital. She looked forward to ILO support for the Arab Center for Employment and Training in Tunisia and hoped for more ILO assistance for the Palestinian Authority in the occupied territories.
- 64.** The Government representative of New Zealand supported the Programme and Budget for 2006-07 and acknowledged the efforts made by the Director-General to produce revised proposals. She encouraged the Office to implement measures so that extraordinary items could be better anticipated.
- 65.** The Government representative of the United Kingdom supported the proposals of the United States and reiterated that, although the ILO had the full support of the United Kingdom, financial restraints were necessary. He stated that his country's extra-budgetary contributions were designed to be targeted on ILO priorities within an agreed framework.
- 66.** The Government representative of Uruguay, associating himself with the remarks made by the Government representative of El Salvador, supported the Programme and Budget proposals for 2006-07. His country, suffering from economic difficulties, could not easily back the programme and budget proposals, but understood that they were justified.
- 67.** The Government representative of Nigeria supported comments made on behalf of the Africa group. She observed that the ILO's budget had remained almost the same over several years and was grateful for the extra-budgetary funds received from the United States, the United Kingdom, the European Union and the IMEC countries. The ILO, as the only tripartite agency in the United Nations, deserved the support of all governments for its programme and budget proposals.
- 68.** The Government representative of the Democratic Republic of the Congo welcomed the fact that the ILO programme and budget proposals aimed to ensure the resources needed to attain the global goal of decent work and help member States by incorporating their regional priorities (employment creation, combating poverty, reintegration of child soldiers, support for children working in mines). He therefore supported the revised programme and budget proposals.
- 69.** The Government representative of Namibia associated herself with the comments made on behalf of the Africa group. She believed that the programme and budget was realistic and supported further decentralization in order to build capacity at regional and national levels.

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70. The Government representative of Hungary welcomed the four principal goals of the programme and budget and appreciated the emphasis on results-based management and savings.
 71. The Government representative of Burkina Faso said that the projects launched following the Ouagadougou Summit in September 2004 required significant resources which the countries concerned did not have, and that as a result the grave problems that afflicted the least developed countries were now spilling over into the others. For that reason, since it had not been possible to adopt the original budget proposals, it was important now to support the revised proposals before the Committee.
 72. The Government representative of Zimbabwe agreed with the views presented by the Government representative of South Africa on behalf of the Africa group. He reminded delegates that a 1.1 per cent increase in the budget was the result of tripartite deliberation and urged Members to adopt the budget as proposed.
 73. The Government representative of Uganda supported the position of the Africa group. Many countries such as his, struggling with structural adjustment, were faced with competing ideas of how to improve their processes. Some people would argue that growth and development could be achieved without reference to sound labour law and the only body that countered this argument was the ILO. In East Africa, where countries were trying to integrate employment policies into new labour laws, technical support received from the ILO was invaluable. The ILO spearheaded studies on the elimination of the worst forms of child labour and reduction of HIV/AIDS which helped to reduce the incidence of HIV/AIDS among youth and vulnerable groups in the region. He argued that any reduction in the ILO budget would have a direct impact on his country and it would be the most vulnerable who would suffer.
 74. The Government representative of the Syrian Arab Republic stated that, contrary to the views expressed by some member States, his country understood the term rationalizing to mean increasing capacity by better utilizing resources and thus not reducing the budget. His Government believed that resources should be decentralized at headquarters and that certain activities should be reviewed. He supported the revised budget as proposed with a 1.1 per cent increase.
 75. The Government representative of the Czech Republic endorsed the statements made by the United Kingdom and the proposal for rationalization. His Government, although willing to join the consensus on the revised proposals, would have preferred a zero real growth budget and believed that better solutions could have and should have been found.
 76. The Government representatives of the Republic of Korea and Ireland supported the revised Programme and Budget for 2006-07. Both countries welcomed the focus on results-based budgeting and the Office's commitment to continue its cost-saving efforts. The Government of Ireland hoped that improved planning and reporting would result from IRIS. The Government representative of the Bahamas also endorsed the revised budget proposals although the cuts made had proved difficult to accept. He supported the statement made on behalf of GRULAC by the Government representative of El Salvador. The Government representative of China also gave his support to the revised budget proposals.
 77. The Government representatives of Malawi, Kenya and Senegal echoed the views expressed by the Government representative of South Africa on behalf of the Africa group. The Government representative of Malawi believed that the revised budget was a well thought out document, the result of long deliberations. Many of the least developed countries saw hope in the strategies incorporated in the proposed Programme and Budget

for 2006-07. In developing countries, there was a need to create decent employment and to empower youth which required action, not talk. For Africa to be able to attain the ideals of NEPAD and the Millennium Development Goals, the least the Committee could do, would be to accept the proposed budget with its increase of 1.1 per cent. The Government representatives of Malawi, Kenya and Senegal endorsed the revised budget proposals.

- 78.** Replying to the discussion, the Director-General stated that he believed that the budget debate had been a valuable experience and thanked the Committee for supporting the Governing Body and the Organization. Several themes had recurred during the discussions: there was strong support for the ILO's work in the regions and many had argued for further decentralization; there was wide support for decent work country programmes as a means to more focused action in countries and to link the ILO's work with the rest of the UN system and the Millennium Development Goals; the initiatives on decent work for youth had been well received; and many governments had endorsed the budget recommended by the Governing Body.
- 79.** He thanked the Committee for discussing frankly and constructively those areas in which the ILO could do better. Some key points had emerged: first, the need to improve results-based management systems with an emphasis on measurement of results and linking outcomes to resources; second, the application of modern management principles and practices directed at efficiency and productivity; third, the use of strategic analysis to anticipate and plan investments and, finally, the use of IRIS to streamline processes, improve efficiency and make management, performance and reporting more transparent. He was keen to work with the Committee in all of these areas. Indeed, when the idea of strategic budgeting had been proposed six years ago, it had become a joint exercise between the Office and the Governing Body.
- 80.** Governments had a great wealth of experience in areas such as results-based management, organizational change and innovation, public sector management, management of information and communication technology and the ILO was keen to draw on this expertise. This would enable the Organization to submit the best possible strategic analysis and policy options to the Governing Body.
- 81.** Many Committee members had asked about increased savings in areas such as grade structure, travel and the field structure. This was an ongoing process and savings in these and other areas would be vigorously pursued to free resources for the priorities that had been agreed upon, particularly the ILO's work in the regions. In this respect, he welcomed the statement by the Government representative of the United Kingdom, on behalf of the United States and other countries, that had constructively suggested areas where the ILO should work to achieve savings. The ILO needed to be managed professionally, with efficient programme implementation and a heightened appreciation of its sources of funding. The ILO needed to be a good custodian of the budget and he was committed to accelerate work on savings as a major priority so that the many needs identified in the debate could be better met.
- 82.** The Director-General had been touched by the statement made by the Government representative of Uganda which had served to demonstrate the relevance of what the ILO was doing. This feeling of relevance was precisely what motivated him and other ILO officials in their work. He respected the opinion of those members that felt that resources should be reduced and reiterated that the ILO would work within its budget.
- 83.** The Chairperson thanked the Director-General for his reply. There had been a constructive debate and there appeared to be broad support for the Programme and Budget proposals for 2006-07. Several countries had requested additional savings and this had been fully acknowledged by the Director-General. Other countries had requested that the budget be

increased. However, the budget which had been recommended by the Governing Body in March 2005 constituted a fair compromise of the views expressed and he asked if the Committee was prepared to accept the recommendation concerning the Programme and Budget for 2006-07 contained in paragraph 6 on page 2 of Report II.

- 84.** The Government representative of the United States stated that his country was a strong supporter of the ILO and commended the commitment of the Director-General to pursue efforts to increase efficiency. The United States did not want the ILO to be left behind in the wave of reforms sweeping through the UN system. In March 2005, his Government had moved away from its wish for zero nominal growth but, as in March, it remained unable to accept the revised budget level. He regretted that the United States could not join in the consensus and called for a vote on the proposed budget.
- 85.** After a short recess, a vote was taken by show of hands. Of the 83 members voting, 80 voted in favour of the proposed budget level, 2 against and there was 1 abstention. The two-thirds majority required for the Committee to accept the Programme and Budget for 2006-07 was therefore achieved.

Resolution for the adoption of the Programme and Budget for 2006-07 and the allocation of the budget of income among member States

- 86.** The Committee had before it document C.F./D.6 which contained summarized financial details of the Programme and Budget proposals for 2006-07 and a draft resolution for submission to the Conference. 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 2006-07 biennium. The appropriate figures now to be inserted in the formal resolution were:

Budget of expenditure	US\$594 310 000
Budget of income	US\$594 310 000
Budget rate of exchange	1.25
Equivalent budget total in Swiss francs	CHF742 887 500

- 87.** The Treasurer and Financial Comptroller explained that the forward exchange contracts would ensure that member States assessments would not rise as a result of further fluctuations in the exchange rate during 2006-07. The Office had also been able to take advantage of interest rate differentials, which should allow a premium of 11 million Swiss francs to be earned in the 2006-07 biennium. The net premium at the end of the biennium would be returned to member States. In accordance with article 11 of the Financial Regulations one half would be distributed to the incentive fund for early payment of contributions and one half would be returned to all member States once their contributions for the 2006-07 biennium had been paid.
- 88.** Mr. Blondel, speaking on behalf of the Worker Vice-Chairperson of the Governing Body, welcomed the fact that the great majority of Governments had supported the programme and budget proposals. It was essential to continue to seek optimal efficiency within the framework of the policy defined on a tripartite basis. The ILO could not, however, be run like a commercial enterprise; its role was to encourage societies to evolve towards greater democracy and freedom, and to defend workers' right to decent work. He hoped that it would be possible to reach consensus when it came to adopting the budget in plenary; that would enhance the ILO's credibility and authority.

89. Mr. Botha, speaking on behalf of the Employer Vice-Chairperson of the Governing Body, expressed his full agreement with the statement by Mr. Blondel.

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

Appendices

91. The provisions of paragraph 4 of article 13 of the Constitution of the ILO, also articles 31 and 32 of the Standing Orders of the Conference, are reproduced in Appendix I to this report.

92. The address of the Director-General regarding the Programme and Budget proposals for 2006-07 is attached as Appendix II to this report.

93. The draft scale for the assessment of contributions for the year 2006 is attached as Appendix III.

94. A table showing the proposed summarized budget of expenditure and income for 2006-07 is attached to this report (Appendix IV), together with a summary of the proposed expenditure budget for 2006-07 by appropriation line (Appendix V).

95. A statement showing the contributions due from each member State for 2006 is also attached as Appendix VI.

Geneva, 9 June 2005.

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

Resolutions submitted to the Conference

Resolution concerning the arrears of contributions of Togo

The General Conference of the International Labour Organization,

Having regard to paragraph 7 of article 10 of the Financial Regulations,

Accepts the arrangement proposed by the Government of Togo for the settlement of its arrears of contributions due for the period 1992-2004 to the effect that:

- (a) in 2005, the Government of Togo will pay in full its contribution for the year 2005;
- (b) in subsequent years, the Government of Togo will continue to pay its current contribution in full in the year for which it is due;
- (c) the Government of Togo will settle arrears that have accumulated up to and including 31 December 2004, amounting to 213,453 Swiss francs, by payment, beginning in 2006, of seven annual instalments of 27,924 Swiss francs and one final instalment of 17,985 Swiss francs.

Decides that Togo shall be permitted to vote, in accordance with paragraph 4 of article 13 of the Constitution of the International Labour Organization, after the conclusion of the present business.

Resolution concerning the arrears of contributions of Georgia

The General Conference of the International Labour Organization,

Having regard to paragraph 7 of article 10 of the Financial Regulations,

Accepts the arrangement proposed by the Government of Georgia for the settlement of its arrears of contributions due for the period 1993-2004 to the effect that:

- (a) in 2005, the Government of Georgia will pay in full its contribution for the year 2005;
- (b) in subsequent years, the Government of Georgia will continue to pay its current contribution in full in the year for which it is due;
- (c) the Government of Georgia will settle arrears that have accumulated up to and including 31 December 2004, amounting to 3,071,902 Swiss francs, by payment, beginning in 2006, of 14 annual instalments in accordance with the following schedule:

<u>Years</u>	<u>Amount (in Swiss francs)</u>
2006	46 079
2007	61 438
2008	61 438
2009	61 438
2010	61 438
2011	122 876
2012	153 595
2013	153 595
2014	307 190
2015	368 628
2016	368 628
2017	430 066
2018	430 066
2019	445 427
Total	3 071 902

Decides that Georgia shall be permitted to vote, in accordance with paragraph 4 of article 13 of the Constitution of the International Labour Organization, after the conclusion of the present business.

Resolution concerning the arrears of contributions of Iraq

The General Conference of the International Labour Organization,

Having regard to paragraph 7 of article 10 of the Financial Regulations,

Accepts the arrangement proposed by the Government of Iraq for the settlement of its arrears of contributions due for the period 1988-2004 to the effect that:

- (a) in 2005, the Government of Iraq will pay in full its contribution for the year 2005;
- (b) in subsequent years, the Government of Iraq will continue to pay its current contribution in full in the year for which it is due;
- (c) the Government of Iraq will settle arrears that have accumulated up to and including 31 December 2004, amounting to 6,127,793 Swiss francs, by payment, beginning in 2005, of 19 annual instalments of 306,390 Swiss francs and a final instalment of 306,383 Swiss francs,

Decides that Iraq shall be permitted to vote, in accordance with paragraph 4 of article 13 of the Constitution of the International Labour Organization, after the conclusion of the present business.

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 term of office of Ms. Geneviève Gaudron for three years,

Expresses its appreciation to Ms. Florida Ruth P. Romero for her contribution over the last five years to the work of the Administrative Tribunal of the International Labour Organization.

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 Samoa to the ILO budget for the period of its membership in the Organization in 2005 be based on an annual assessment rate of 0.001 per cent.

Resolution of scale of assessments of contributions to the budget for 2006

The General Conference of the International Labour Organization,

Decides, in accordance with article 9, paragraph 2, of the Financial Regulations, to adopt the draft scale of assessments for the year 2006 based on the scale adopted by the United Nations General Assembly in December 2003 as set out in column 3 of Appendix III to this document.

Resolution concerning the adoption of the Programme and Budget for 2006-07 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 70th financial period, ending 31 December 2007, the budget of expenditure of the International Labour Organization amounting to US\$594,310,000 and the budget of income amounting to US\$594,310,000, which, at the budget rate of exchange of 1.25 Swiss francs to the US dollar, amounts to 742,887,500 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

Relevant provisions of the Constitution of the International Labour Organization and the Standing Orders of the International Labour Conference

1. Paragraph 4 of article 13 of the Constitution of the Organization provides as follows:

4. A Member of the Organization which is in arrears in the payment of its financial contribution to the Organization shall have no vote in the Conference, in the Governing Body, in any committee, or in the elections of members of the Governing Body, if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two full years: Provided that the Conference may by a two-thirds majority of the votes cast by the delegates present permit such a Member to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the Member.

2. Articles 31 and 32 of the Standing Orders of the Conference provide as follows:

ARTICLE 31

Procedure where proposal is made to permit Member in arrears to vote

1. Any request or proposal that the Conference should nevertheless permit a Member which is in arrears in the payment of its contributions to vote in accordance with article 13, paragraph 4, of the Constitution shall be referred in the first instance to the Finance Committee of the Conference, which shall report thereon as a matter of urgency.

2. Pending a decision on the request or proposal by the Conference, the Member shall not be entitled to vote.

3. The Finance Committee shall submit to the Conference a report giving its opinion on the request or proposal.

4. If the Finance Committee, having found that the failure to pay is due to conditions beyond the control of the Member, thinks fit to propose to the Conference that the Member should nevertheless be permitted to vote in accordance with article 13, paragraph 4, of the Constitution, it shall in its report:

- (a) explain the nature of the conditions beyond the Member's control;
- (b) give an analysis of the financial relations between the Member and the Organization during the preceding ten years; and
- (c) indicate the measures which should be taken in order to settle the arrears.

5. Any decision which may be taken by the Conference to permit a Member which is in arrears in the payment of its contributions to vote notwithstanding such arrears may be made conditional upon the Member complying with any recommendations for settling the arrears which may be made by the Conference.

ARTICLE 32

Period of validity of a decision to permit Member in arrears to vote

1. Any decision by the Conference permitting a Member which is in arrears in the payment of its contributions to vote shall be valid for the session of the Conference at which the decision is taken. Any such decision shall be operative in regard to the Governing Body and committees until the opening of the general session of the Conference next following that at which it was taken.

2. Notwithstanding the provisions of paragraph 1 of this article, after the Conference has approved an arrangement under which the arrears of a Member are consolidated and are payable in annual instalments over a period of years, the Member shall be permitted to vote provided that, at the time of the vote concerned, the Member has fully paid all instalments under the arrangement, as well as all financial contributions under article 13 of the Constitution that were due before the end of the previous year. For any Member which, at the close of the session of the Conference, has not fully paid all such instalments and contributions due before the end of the previous year, the permission to vote shall lapse.

Appendix II

International Labour Conference – 93rd Session

Address by Mr. Juan Somavia, Director-General, to the Finance Committee of Government Representatives on the Programme and Budget proposals for 2006-07 – 1 June 2005

Monsieur le Président,

Excellences, Honorables Délégués, Mesdames, Messieurs,

Your Committee has before it a recommendation forwarded by the Governing Body to the Conference to adopt a Programme and Budget for the biennium 2006-07 with a proposed expenditure of US\$568.6 million.

The full tripartite flavour of that discussion and the adjustments made to the initial budget proposal are in the documentation available. But I think that before you begin your discussion, it might be useful for me to synthesize the way the budget was developed and modified, as the majority of you did not participate in the process as Members of the ILO Governing Body.

In our Organization, the Governing Body has the constitutional role of determining the level and content of the budget recommendation made to the International Labour Conference, based on their governance role and their in-depth knowledge of the Office and its programmes.

I have included extensive adjustments to my initial proposals based on the Governing Body's guidance. I urge that you approve the proposed budget resolution. This has also been requested by the spokespersons of the employers' and the workers' groups in yesterday's plenary.

Let me begin by commending all those who were directly involved in preparing the proposals before you, in particular, the members of the PFAC, as well as the Governing Body for assuming its mandated responsibilities – and beyond divergences – submitting to you a clear recommendation.

Our tripartite governance system performed extremely well. Your Committee can be satisfied with the excellent professional work accomplished in your name.

A special thanks to the President of the PFAC and the Governing Body – Monsieur Philippe Séguin, the spokesperson of the Employers' group, Mr. Bokkie Botha, and, the Workers' group, Monsieur Marc Blondel. They, together with many coordinators of regional groups, played a very important consensus-building role that led to the balanced proposal before you.

For our part, I wanted to ensure that the process by the Office of putting together the proposals to the PFAC was open and transparent. In fact, I want to thank so many of you who were deeply involved in the different consultations and who stated that this has been a clearly transparent budget process.

The proposals were the product of a long gestation with intensive consultations, starting with a discussion in November 2003, on the new Strategic Policy Framework for 2006-09. Formal and informal discussions continued from that time, including detailed analysis by the Governing Body in November 2004 and in March 2005.

Throughout the period, the Office met with employers and workers, with all regional government groups and was available for a significant number of individual governments. This brought clarity to the process and reduced the levels of uncertainty.

This process delivered a remarkable degree of convergence on the future direction for the ILO. Let me synthesize the substantive building blocks of the proposals:

- The focus is on decent work as a global goal with an emphasis on continuity – reinforcing, deepening and interrelating the four strategic objectives under the Decent Work Agenda.
- Decent work country programmes provide the structural framework for the delivery of ILO services to our constituents at the country level.

-
- Five mainstream strategies are interwoven through the strategic objectives to reinforce the integrating nature of decent work: globalization, poverty, gender equality, tripartism, and standards.
 - InFocus initiatives are proposed in three areas of particular interest to constituents; corporate social responsibility; export processing zones; and the informal economy.
 - More emphasis is placed on improving our knowledge base and service capacity.
 - And, there was universal support for strengthening our action in the regions where we are closest to constituents.

The first round of discussions also gave strong support by countries in all regions to my original financial proposals amounting to expenditures of around US\$23 million higher than the recommendation before you.

I am fully aware that the support for that budget level implied a real economic sacrifice on the part of all those governments that backed it. I was touched by the confidence in the value of our Organization's work and the disposition to take on a greater financial burden. I thanked all of them for their commitment.

At the same time, two of the largest contributors as well as some other countries, made clear that their national situations did not permit them to support the proposed budget level – and that substantial cuts were necessary.

Even in these cases, the comments on the work of our Organization were supportive, and the proposals that were made were directed at protecting and even strengthening our core substantive programmes. I understood the financial difficulties, and I valued the positive approach taken by them, which I would like to preserve to the greatest possible extent.

I engaged in intense consultations both with constituents and within the Office to find the appropriate balance between the demand to protect and increase resources for certain activities and the demand for substantial cuts. As you can imagine, this has not been an easy exercise. I hope this Committee appreciates the honest effort the Office made to present to the PFAC a revised workable proposal, which is now the recommendation of the Governing Body before you.

I would like to zero in on three priority points:

First, the recommended budget level is a fair balance of the diverse interests of member States that includes *significant and painful reductions*.

Second, the Governing Body recommendation continues and reinforces *improvements in results-based management, budgeting and efficiencies*.

Third, this budget is a balanced effort that includes *extensive savings measures*.

First, the budget level and reductions.

Naturally, and understandably, this is always a contentious issue. But I have always been committed to finding a reasonable balance and confronting the difficult and often competing challenges head-on.

Let me address adjustments that I made in order to respond to major priorities identified. This budget provides full funding for the regions. In other words, at a time when ILO activities are squeezed, we are continuing our commitment to decentralization and ensuring resources to service our constituents at the national and regional levels.

You know well that this has always been my priority. We need to make sure that we systematically reinforce the delivery capacity of our activities in the field and that resources do not get stuck in the process. Decent work country programmes will help to integrate better and rationalize our work with constituents at the national level.

This budget also takes note of the breadth of support in our discussions for employment issues, and in particular, ensures resources for tripartite initiatives at the national and local level to expand decent work for young people. Another central demand was the need to ensure funding of the Maritime Session of the Conference. That was done.

I must now come to the difficult issue of how we proceeded in the Office to reduce the budget level in order to meet the demand for "substantial cuts". In making our proposals in this area, we

have been guided by many of the ideas for savings put forward in your discussions. All of this while protecting and, where possible, enhancing our core capacities to serve our constituents.

Consequently, we reduced Part IV of the budget – that is, funding for institutional investments – by a full US\$15.9 million.

Essential investments in maintenance of buildings have been postponed until a comprehensive review of the total investment needs is carried out and submitted to the Building Subcommittee.

Significant resources to rebuild the Information Technology Systems Fund are also postponed.

The resources requested for security of staff have been absorbed within the existing budget level.

Staff training resources have been reduced.

We also made adjustments to the provision for cost increases.

In essence, we have eliminated or sharply decreased all cost increase provisions which do not result from obligations under the Staff Regulations, General Assembly decisions or other contractual or constitutional obligations.

In practice, this means that we will absorb cost increases of US\$6.1 million, although we had fully justified them through prudent and objective consideration of inflation and related factors.

The global budget reduction for staff turnover was reinstated, adding a savings requirement of US\$4.5 million to the US\$6.1 million in savings we need to find to compensate for the reduction in cost adjustments.

The implication of these two measures is that we will start the 2006-07 biennium with an in-built requirement for savings of US\$10.5 million.

Finally, based on requests from several members of the Governing Body, I withdrew the proposed increase in the reserve for Governing Body decisions during the biennium, shown under Part II of the budget. This will result in programme cuts if any Constitutional obligations or emergencies arise during the biennium exceeding the small provision for unforeseen expenditure.

The Governing Body approved these adjustments and recommended the draft resolution in front of you.

The net result of these changes is that the Governing Body recommendation to this Committee is now US\$23.2 million below the initial budget proposal. This is in addition to the US\$5.4 million that I had already removed from the proposals prior to their presentation to the PFAC based on the extensive consultations at the end of last year.

Second, as I did in previous budgets, I will continue to seek improvements in results-based management and budgeting. We must continue to make our performance more measurable, better linked to budgets and more clearly planned in terms of major outputs and activities.

On the issue of measurements of performance and the many suggestions for more precise indicators to respond to your concerns, I will ask all ILO programmes to establish, as part of their implementation planning for 2006-07, quantitative and qualitative criteria for measuring progress under each operational outcome. This measurement will be linked to the DWCPs, and will be reported to you in the interim Programme Implementation Report for 2006.

The new IRIS technology will support these improvements; 2006-07 will be the first biennium in which IRIS budgeting is fully applied and ILO management will seek to ensure that it results in better planning and reporting. This will include more complete information on spending patterns as part of the biennial Programme Implementation Report. The proposed Information and Communications Technology Subcommittee of the PFAC would oversee the contributions of IRIS to improve efficiency.

In November, the PFAC will discuss the external evaluation of results-based management and budgeting in the ILO. I believe external evaluations, together with our normal auditing process, which also covers management issues, are key components to guide our programmes. I know that external eyes help us see better.

The Governing Body will also address our overall evaluation policy and the role of the new internal evaluation unit. I am confident that the results of these discussions, together with the role of

our Internal Auditor, will permit a further strengthening of our results-based management systems, including oversight, transparency and early response to the first signs of any management problem.

Third, the emphasis I have placed on savings is continued in the proposed budget. Starting in 2000-01, I have transferred resources from administrative work to the technical sectors and regions that deliver the ILO's products.

These transfers now mean that some US\$15 million more is available for technical work each biennium, despite a static budget level. It also means that it costs 9 per cent less to administer the Office than when I took office.

The current proposals contain a number of savings measures for both the short and the longer term that are once again the product of listening and taking action.

The United States, for example, among other issues, has expressed its concerns about travel expenses. We have taken action. The proposed resources for travel are some 25 percent less than the 2004-05 level. This continues a systematic management practice we have been implementing progressively. For 2006-07, travel costs represent some 2.59 per cent of the total budget compared with 3.75 per cent in 2004-05 and 4.02 per cent in 2002-03. And Executive Directors have been charged with the responsibility of analysing travel in their own sectors and finding ways to further reduce costs.

IMEC countries have expressed concerns about the field structure. We are taking action. We will carry out a comprehensive review of our field structure, with a view to more efficient as well as more effective performance. The review itself will no doubt be a difficult process and I will count on the Governing Body's guidance.

Among other important contributions, Japan has taken the leadership in requesting a more balanced grade structure of the Office. Thank you for that. We are taking action. We have taken measures to begin rebalancing that structure. In my own decisions on senior appointments, for example, I have reduced grade levels of posts where possible and merged programmes in order to reduce senior positions and will continue to do so.

More importantly, to respond to this need, we already built in US\$2 million in savings for reduced grade structure in calculating the budget proposals for staff costs. We will take additional measures to rationalize the structure of the Office, resulting in savings both directly and through the need for fewer managers in a streamlined operation. The Governing Body will review this more thoroughly in November when considering the human resource strategy.

You will have noticed that I have emphasized the Governing Body's role in overseeing policy related to enhancing the overall efficiency of the Office through the Building Subcommittee, the proposed ICT Subcommittee and PFAC discussions on human resource strategy and the field structure.

Let me add that what I am saying today to this Committee about future action is also the approach which I have instructed managers and staff to take. Let me quote from my recent staff address on 25 May 2005:

"The recent struggle over the budget reflects continued pressures from major funders – regular and extra-budgetary – legitimate demands I would add – to insist on increasingly better management practices, greater impact and more policy coordination within the multilateral system. ... Things are already tight and will continue to be so. This is the reality. We will need to continue developing a mentality of efficiency and effectiveness, of savings and careful use of resources. We all need to be good custodians of the budget."

* * *

These proposals are, for differing reasons, difficult for all of us. Many of us are reasonably concerned that we will not invest prudently in our future and that we will respond to even less of the total demand for our services. At the same time, I cannot ignore the difficult economic situation in many of your countries.

I want to assure you that I am committed to continuing our track record of finding savings and efficiencies.

I have outlined a number of saving measures that I intend to pursue in the course of the next two years, in particular in the areas of rebalancing grade structure, review of the field network of offices, and travel.

These savings would be used for priorities such as investments in building and accommodation, support to ILO action in developing countries, and staff rejuvenation including recruitment of young officials from under-represented countries.

I genuinely hope that each and every member of this Committee can support the resolution before you. It reflects an exceptional level of consultation. They offer, I am convinced, a balanced response to the need for consensus in difficult circumstances.

The way forward is in your hands. The recommendation of the Governing Body and my comments today express an honest effort to respond to your conflicting demands. I hope that the spirit that produced such a high level of consensus around our programme activities can express itself now on financial issues, both in this Committee and in the plenary vote of the Conference.

I commend the budget resolution submitted to you by the Governing Body for adoption.

Thank you for your attention.

Appendix III

Scale of assessments

State	ILO	UN	Draft scale of	Increase
	assessments	assessments	ILO	(Decrease)
	2005	2006	2006	(Diff. between
	Col.1	Col.2	Col.3	cols 3 and 1)
	%	%	%	Col.4
				%
1 Afghanistan	0.002	0.002	0.002	-
2 Albania	0.005	0.005	0.005	-
3 Algeria	0.076	0.076	0.076	-
4 Angola	0.001	0.001	0.001	-
5 Antigua and Barbuda	0.003	0.003	0.003	-
6 Argentina	0.957	0.956	0.957	-
7 Armenia	0.002	0.002	0.002	-
8 Australia	1.593	1.592	1.593	-
9 Austria	0.860	0.859	0.860	-
10 Azerbaijan	0.005	0.005	0.005	-
11 Bahamas	0.013	0.013	0.013	-
12 Bahrain	0.030	0.030	0.030	-
13 Bangladesh	0.010	0.010	0.010	-
14 Barbados	0.010	0.010	0.010	-
15 Belarus	0.018	0.018	0.018	-
16 Belgium	1.070	1.069	1.070	-
17 Belize	0.001	0.001	0.001	-
18 Benin	0.002	0.002	0.002	-
19 Bolivia	0.009	0.009	0.009	-
20 Bosnia and Herzegovina	0.003	0.003	0.003	-
21 Botswana	0.012	0.012	0.012	-
22 Brazil	1.524	1.523	1.524	-
23 Bulgaria	0.017	0.017	0.017	-
24 Burkina Faso	0.002	0.002	0.002	-
25 Burundi	0.001	0.001	0.001	-
26 Cambodia	0.002	0.002	0.002	-
27 Cameroon	0.008	0.008	0.008	-
28 Canada	2.816	2.813	2.816	-
29 Cape Verde	0.001	0.001	0.001	-
30 Central African Republic	0.001	0.001	0.001	-
31 Chad	0.001	0.001	0.001	-
32 Chile	0.223	0.223	0.223	-
33 China	2.055	2.053	2.055	-
34 Colombia	0.155	0.155	0.155	-
35 Comoros	0.001	0.001	0.001	-
36 Congo	0.001	0.001	0.001	-
37 Costa Rica	0.030	0.030	0.030	-
38 Côte d'Ivoire	0.010	0.010	0.010	-
39 Croatia	0.037	0.037	0.037	-
40 Cuba	0.043	0.043	0.043	-
41 Cyprus	0.039	0.039	0.039	-
42 Czech Republic	0.183	0.183	0.183	-

State	ILO	UN	Draft scale of ILO	Increase (Decrease)
	assessments	assessments	assessments	(Diff. between cols 3 and 1)
	2005	2006	2006	Col.4
	Col.1	Col.2	Col.3	Col.4
	%	%	%	%
43 Democratic Republic of the Congo	0.003	0.003	0.003	-
44 Denmark	0.719	0.718	0.719	-
45 Djibouti	0.001	0.001	0.001	-
46 Dominica	0.001	0.001	0.001	-
47 Dominican Republic	0.035	0.035	0.035	-
48 Ecuador	0.019	0.019	0.019	-
49 Egypt	0.120	0.120	0.120	-
50 El Salvador	0.022	0.022	0.022	-
51 Equatorial Guinea	0.002	0.002	0.002	-
52 Eritrea	0.001	0.001	0.001	-
53 Estonia	0.012	0.012	0.012	-
54 Ethiopia	0.004	0.004	0.004	-
55 Fiji	0.004	0.004	0.004	-
56 Finland	0.533	0.533	0.533	-
57 France	6.036	6.030	6.036	-
58 Gabon	0.009	0.009	0.009	-
59 Gambia	0.001	0.001	0.001	-
60 Georgia	0.003	0.003	0.003	-
61 Germany	8.670	8.662	8.670	-
62 Ghana	0.004	0.004	0.004	-
63 Greece	0.530	0.530	0.530	-
64 Grenada	0.001	0.001	0.001	-
65 Guatemala	0.030	0.030	0.030	-
66 Guinea	0.003	0.003	0.003	-
67 Guinea-Bissau	0.001	0.001	0.001	-
68 Guyana	0.001	0.001	0.001	-
69 Haiti	0.003	0.003	0.003	-
70 Honduras	0.005	0.005	0.005	-
71 Hungary	0.126	0.126	0.126	-
72 Iceland	0.034	0.034	0.034	-
73 India	0.421	0.421	0.421	-
74 Indonesia	0.142	0.142	0.142	-
75 Iran, Islamic Republic of	0.157	0.157	0.157	-
76 Iraq	0.016	0.016	0.016	-
77 Ireland	0.350	0.350	0.350	-
78 Israel	0.467	0.467	0.467	-
79 Italy	4.890	4.885	4.890	-
80 Jamaica	0.008	0.008	0.008	-
81 Japan	19.485	19.468	19.485	-
82 Jordan	0.011	0.011	0.011	-
83 Kazakhstan	0.025	0.025	0.025	-
84 Kenya	0.009	0.009	0.009	-
85 Kiribati	0.001	0.001	0.001	-
86 Korea, Republic of	1.798	1.796	1.797	(0.001)
87 Kuwait	0.162	0.162	0.162	-
88 Kyrgyzstan	0.001	0.001	0.001	-

State	ILO	UN	Draft scale of ILO	Increase (Decrease)
	assessments 2005 Col.1 %	assessments 2006 Col.2 %	assessments 2006 Col.3 %	(Diff. between cols 3 and 1) Col.4 %
89 Lao People's Democratic Republic	0.001	0.001	0.001	-
90 Latvia	0.015	0.015	0.015	-
91 Lebanon	0.024	0.024	0.024	-
92 Lesotho	0.001	0.001	0.001	-
93 Liberia	0.001	0.001	0.001	-
94 Libyan Arab Jamahiriya	0.132	0.132	0.132	-
95 Lithuania	0.024	0.024	0.024	-
96 Luxembourg	0.077	0.077	0.077	-
97 Madagascar	0.003	0.003	0.003	-
98 Malawi	0.001	0.001	0.001	-
99 Malaysia	0.203	0.203	0.203	-
100 Mali	0.002	0.002	0.002	-
101 Malta	0.014	0.014	0.014	-
102 Mauritania	0.001	0.001	0.001	-
103 Mauritius	0.011	0.011	0.011	-
104 Mexico	1.885	1.883	1.885	-
105 Moldova, Republic of	0.001	0.001	0.001	-
106 Mongolia	0.001	0.001	0.001	-
107 Morocco	0.047	0.047	0.047	-
108 Mozambique	0.001	0.001	0.001	-
109 Myanmar	0.010	0.010	0.010	-
110 Namibia	0.006	0.006	0.006	-
111 Nepal	0.004	0.004	0.004	-
112 Netherlands	1.691	1.690	1.691	-
113 New Zealand	0.221	0.221	0.221	-
114 Nicaragua	0.001	0.001	0.001	-
115 Niger	0.001	0.001	0.001	-
116 Nigeria	0.042	0.042	0.042	-
117 Norway	0.680	0.679	0.680	-
118 Oman	0.070	0.070	0.070	-
119 Pakistan	0.055	0.055	0.055	-
120 Panama	0.019	0.019	0.019	-
121 Papua New Guinea	0.003	0.003	0.003	-
122 Paraguay	0.012	0.012	0.012	-
123 Peru	0.092	0.092	0.092	-
124 Philippines	0.095	0.095	0.095	-
125 Poland	0.461	0.461	0.461	-
126 Portugal	0.470	0.470	0.470	-
127 Qatar	0.064	0.064	0.064	-
128 Romania	0.060	0.060	0.060	-
129 Russian Federation	1.101	1.100	1.101	-
130 Rwanda	0.001	0.001	0.001	-
131 Saint Kitts and Nevis	0.001	0.001	0.001	-
132 Saint Lucia	0.002	0.002	0.002	-
133 Saint Vincent and the Grenadines	0.001	0.001	0.001	-
134 Samoa	-	0.001	0.001	0.001

State	ILO	UN	Draft scale of ILO	Increase (Decrease)
	assessments	assessments	assessments	(Diff. between cols 3 and 1)
	2005	2006	2006	Col.3 Col.4
	Col.1	Col.2	Col.3	Col.4
	%	%	%	%
135 San Marino	0.003	0.003	0.003	-
136 Sao Tome and Principe	0.001	0.001	0.001	-
137 Saudi Arabia	0.714	0.713	0.714	-
138 Senegal	0.005	0.005	0.005	-
139 Serbia and Montenegro	0.019	0.019	0.019	-
140 Seychelles	0.002	0.002	0.002	-
141 Sierra Leone	0.001	0.001	0.001	-
142 Singapore	0.388	0.388	0.388	-
143 Slovakia	0.051	0.051	0.051	-
144 Slovenia	0.082	0.082	0.082	-
145 Solomon Islands	0.001	0.001	0.001	-
146 Somalia	0.001	0.001	0.001	-
147 South Africa	0.292	0.292	0.292	-
148 Spain	2.523	2.520	2.523	-
149 Sri Lanka	0.017	0.017	0.017	-
150 Sudan	0.008	0.008	0.008	-
151 Suriname	0.001	0.001	0.001	-
152 Swaziland	0.002	0.002	0.002	-
153 Sweden	0.999	0.998	0.999	-
154 Switzerland	1.198	1.197	1.198	-
155 Syrian Arab Republic	0.038	0.038	0.038	-
156 Tajikistan	0.001	0.001	0.001	-
157 Tanzania, United Republic of	0.006	0.006	0.006	-
158 Thailand	0.209	0.209	0.209	-
159 The former Yugoslav Republic of Macedonia	0.006	0.006	0.006	-
160 Timor-Leste, Democratic Republic of	0.001	0.001	0.001	-
161 Togo	0.001	0.001	0.001	-
162 Trinidad and Tobago	0.022	0.022	0.022	-
163 Tunisia	0.032	0.032	0.032	-
164 Turkey	0.372	0.372	0.372	-
165 Turkmenistan	0.005	0.005	0.005	-
166 Uganda	0.006	0.006	0.006	-
167 Ukraine	0.039	0.039	0.039	-
168 United Arab Emirates	0.235	0.235	0.235	-
169 United Kingdom	6.133	6.127	6.133	-
170 United States	22.000	22.000	22.000	-
171 Uruguay	0.048	0.048	0.048	-
172 Uzbekistan	0.014	0.014	0.014	-
173 Vanuatu	0.001	0.001	0.001	-
174 Venezuela	0.171	0.171	0.171	-
175 Vietnam	0.021	0.021	0.021	-
176 Yemen	0.006	0.006	0.006	-
177 Zambia	0.002	0.002	0.002	-
178 Zimbabwe	0.007	0.007	0.007	-
	100.000	99.935	100.000	0.000

Appendix IV

Proposed summarized budget of expenditure and income for 2006-07

Expenditure				Income			
	2004-05 budget	2006-07 estimates		2004-05 budget		2006-07 estimates	
	US\$	US\$		US\$	SF	US\$	SF
Part I Ordinary budget	528,715,000	587,253,275	Contributions from member States	529,590,000	709,650,600	594,310,000	742,887,500
Part II Unforeseen expenditure	875,000	875,000					
Part III Working Capital Fund	-	-					
Part IV Institutional investments and extraordinary items	-	6,181,725					
Total budget	529,590,000	594,310,000		529,590,000	709,650,600	594,310,000	742,887,500

Appendix V

Proposed expenditure budget by appropriation line (in US dollars)

Item	2004-05 Budget (US\$)	2006-07 Estimates (in constant 2004-05 US\$)	2006-07 Estimates (recosted) 1.34 to 1.25
Part I Ordinary budget			
A. Policy-making organs	65,078,793	61,064,424	67,267,536
B. Strategic objectives	397,926,949	403,139,901	443,939,354
<i>Standards and fundamental principles and rights at work</i>	70,766,259	78,344,449	86,227,715
<i>Employment</i>	125,931,103	125,114,738	137,532,087
<i>Social protection</i>	72,717,717	86,221,934	95,340,336
<i>Social dialogue</i>	128,511,870	113,458,780	124,839,216
C. Management services	45,791,102	44,555,128	49,390,928
D. Other budgetary provisions	24,459,087	24,393,117	31,708,184
Adjustment for staff turnover	(4,540,931)	(4,540,931)	(5,052,727)
Total Part I	528,715,000	528,611,639	587,253,275
Part II Unforeseen expenditure			
Unforeseen expenditure	875,000	875,000	875,000
Part III Working capital fund			
Working capital fund	-	-	-
Total (Parts I - III)	529,590,000	529,486,639	588,128,275
Part IV Institutional investments and extra-ordinary items			
Institutional investments and extra-ordinary items	-	5,810,000	6,181,725
TOTAL (Parts I - IV)	529,590,000	535,296,639	594,310,000

Appendix VI

INCOME BUDGET FOR 2006-2007 STATEMENT OF CONTRIBUTIONS DUE FROM MEMBER STATES FOR 2006 (In Swiss francs)

	Member States	Assessed Contribution for 2006		Earned Credits Distributed in Respect of :				Total Credits	Net Contribution for 2006
				2004	2002-03	Prior years			
						Incentive Scheme	50% Net Premium		
%	Amount								
1	Afghanistan	0.002	7,429	9	-	-	-	9	7,420
2	Albania	0.005	18,572	-	-	-	1,102	1,102	17,470
3	Algeria	0.076	282,297	51	-	-	-	51	282,246
4	Angola	0.001	3,714	2	-	-	-	2	3,712
5	Antigua and Barbuda	0.003	11,143	-	-	-	-	-	11,143
6	Argentina	0.957	3,554,717	-	-	69,669	109,956	179,625	3,375,092
7	Armenia	0.002	7,429	-	-	-	-	-	7,429
8	Australia	1.593	5,917,099	1,573	-	-	-	1,573	5,915,526
9	Austria	0.860	3,194,416	893	-	-	-	893	3,193,523
10	Azerbaijan	0.005	18,572	-	-	-	-	-	18,572
11	Bahamas	0.013	48,288	12	-	-	-	12	48,276
12	Bahrain	0.030	111,433	18	-	-	-	18	111,415
13	Bangladesh	0.010	37,145	9	32	-	-	41	37,104
14	Barbados	0.010	37,145	-	29	-	-	29	37,116
15	Belarus	0.018	66,860	16	61	-	-	77	66,783
16	Belgium	1.070	3,974,448	56	-	-	-	56	3,974,392
17	Belize	0.001	3,714	-	-	-	-	-	3,714
18	Benin	0.002	7,429	-	6	-	-	6	7,423
19	Bolivia	0.009	33,430	-	-	-	-	-	33,430
20	Bosnia and Herzegovina	0.003	11,143	1	-	-	-	1	11,142
21	Botswana	0.012	44,573	8	-	-	-	8	44,565
22	Brazil	1.524	5,660,803	-	-	92,956	146,710	239,666	5,421,137
23	Bulgaria	0.017	63,146	11	-	-	-	11	63,135
24	Burkina Faso	0.002	7,429	2	-	-	-	2	7,427
25	Burundi	0.001	3,714	-	-	-	-	-	3,714
26	Cambodia	0.002	7,429	-	-	-	551	551	6,878
27	Cameroon	0.008	29,716	-	29	-	-	29	29,687
28	Canada	2.816	10,459,856	2,494	-	-	-	2,494	10,457,362
29	Cape Verde	0.001	3,714	-	-	-	-	-	3,714
30	Central African Republic	0.001	3,714	-	-	-	-	-	3,714
31	Chad	0.001	3,714	-	-	-	-	-	3,714
32	Chile	0.223	828,320	-	635	-	-	635	827,685
33	China	2.055	7,633,169	115	4,894	-	-	5,009	7,628,160
34	Colombia	0.155	575,738	-	591	-	-	591	575,147
35	Comoros	0.001	3,714	-	-	-	-	-	3,714
36	Congo	0.001	3,714	-	-	-	-	-	3,714
37	Costa Rica	0.030	111,433	-	-	-	-	-	111,433
38	Côte d'Ivoire	0.010	37,145	-	29	-	-	29	37,116
39	Croatia	0.037	137,434	-	-	-	-	-	137,434
40	Cuba	0.043	159,721	-	94	-	-	94	159,627
41	Cyprus	0.039	144,863	35	-	-	-	35	144,828
42	Czech Republic	0.183	679,742	186	-	-	-	186	679,556
43	Democratic Republic of the Congo	0.003	11,143	-	-	89	-	89	11,054
44	Denmark	0.719	2,670,681	731	-	-	-	731	2,669,950
45	Djibouti	0.001	3,714	-	-	-	-	-	3,714
46	Dominica	0.001	3,714	1	-	-	-	1	3,713
47	Dominican Republic	0.035	130,006	18	-	-	247	265	129,741
48	Ecuador	0.019	70,574	18	78	-	-	96	70,478
49	Egypt	0.120	445,733	-	-	-	-	-	445,733
50	El Salvador	0.022	81,718	-	58	-	-	58	81,660
51	Equatorial Guinea	0.002	7,429	-	-	-	-	-	7,429
52	Eritrea	0.001	3,714	1	-	-	-	1	3,713
53	Estonia	0.012	44,573	10	-	-	-	10	44,563
54	Ethiopia	0.004	14,858	4	-	-	-	4	14,854

INCOME BUDGET FOR 2006-2007
STATEMENT OF CONTRIBUTIONS DUE FROM MEMBER STATES FOR 2006
(In Swiss francs)

Member States	Assessed Contribution for 2006		Earned Credits Distributed in Respect of :				Total Credits	Net Contribution for 2006
			2004	2002-03	Prior years			
	%	Amount	Incentive Scheme	50% Net Premium	50% Net Premium	Cash Surplus		
55 Fiji	0.004	14,858	3	-	-	-	3	14,855
56 Finland	0.533	1,979,795	505	-	-	-	505	1,979,290
57 France	6.036	22,420,345	1,262	-	-	-	1,262	22,419,083
58 Gabon	0.009	33,430	-	-	-	-	-	33,430
59 Gambia	0.001	3,714	-	-	-	-	-	3,714
60 Georgia	0.003	11,143	-	-	-	-	-	11,143
61 Germany	8.670	32,204,173	5,388	-	-	-	5,388	32,198,785
62 Ghana	0.004	14,858	5	16	449	709	1,179	13,679
63 Greece	0.530	1,968,652	20	1,722	-	-	1,742	1,966,910
64 Grenada	0.001	3,714	1	-	-	-	1	3,713
65 Guatemala	0.030	111,433	18	-	-	-	18	111,415
66 Guinea	0.003	11,143	-	-	-	-	-	11,143
67 Guinea-Bissau	0.001	3,714	-	-	-	-	-	3,714
68 Guyana	0.001	3,714	-	-	-	-	-	3,714
69 Haiti	0.003	11,143	-	6	128	202	336	10,807
70 Honduras	0.005	18,572	4	-	-	-	4	18,568
71 Hungary	0.126	468,019	13	-	-	-	13	468,006
72 Iceland	0.034	126,291	31	-	-	-	31	126,260
73 India	0.421	1,563,778	333	-	-	-	333	1,563,445
74 Indonesia	0.142	527,450	9	638	-	-	647	526,803
75 Iran, Islamic Republic of	0.157	583,167	-	-	-	-	-	583,167
76 Iraq	0.016	59,431	-	-	-	-	-	59,431
77 Ireland	0.350	1,300,053	226	-	-	-	226	1,299,827
78 Israel	0.467	1,734,643	-	-	22,132	34,931	57,063	1,677,580
79 Italy	4.890	18,163,600	1,175	16,172	-	-	17,347	18,146,253
80 Jamaica	0.008	29,716	1	-	-	-	1	29,715
81 Japan	19.485	72,375,815	14,917	62,317	-	-	77,234	72,298,581
82 Jordan	0.011	40,859	6	-	-	-	6	40,853
83 Kazakhstan	0.025	92,861	25	-	-	-	25	92,836
84 Kenya	0.009	33,430	6	-	-	-	6	33,424
85 Kiribati	0.001	3,714	1	-	-	-	1	3,713
86 Korea, Republic of	1.797	6,674,844	206	-	-	-	206	6,674,638
87 Kuwait	0.162	601,739	140	-	-	-	140	601,599
88 Kyrgyzstan	0.001	3,714	-	-	-	-	-	3,714
89 Lao People's Democratic Republic	0.001	3,714	1	3	692	291	987	2,727
90 Latvia	0.015	55,717	10	32	-	-	42	55,675
91 Lebanon	0.024	89,147	4	39	-	-	43	89,104
92 Lesotho	0.001	3,714	1	-	-	-	1	3,713
93 Liberia	0.001	3,714	1	-	-	-	1	3,713
94 Libyan Arab Jamahiriya	0.132	490,306	-	213	7,827	12,352	20,392	469,914
95 Lithuania	0.024	89,147	1	55	-	-	56	89,091
96 Luxembourg	0.077	286,012	77	-	-	-	77	285,935
97 Madagascar	0.003	11,143	-	-	-	-	-	11,143
98 Malawi	0.001	3,714	-	-	-	-	-	3,714
99 Malaysia	0.203	754,031	220	-	-	-	220	753,811
100 Mali	0.002	7,429	2	6	-	-	8	7,421
101 Malta	0.014	52,002	15	-	-	-	15	51,987
102 Mauritania	0.001	3,714	-	3	-	-	3	3,711
103 Mauritius	0.011	40,859	11	-	-	-	11	40,848
104 Mexico	1.885	7,001,715	271	-	-	-	271	7,001,444
105 Moldova, Republic of	0.001	3,714	-	-	-	-	-	3,714
106 Mongolia	0.001	3,714	-	-	128	202	330	3,384
107 Morocco	0.047	174,579	12	-	-	-	12	174,567
108 Mozambique	0.001	3,714	-	3	-	-	3	3,711
109 Myanmar	0.010	37,145	7	-	-	-	7	37,138
110 Namibia	0.006	22,287	-	-	-	-	-	22,287

INCOME BUDGET FOR 2006-2007
STATEMENT OF CONTRIBUTIONS DUE FROM MEMBER STATES FOR 2006
(In Swiss francs)

Member States	Assessed Contribution for 2006		Earned Credits Distributed in Respect of :				Total Credits	Net Contribution for 2006	
			2004	2002-03	Prior years				
	%	Amount	Incentive Scheme	50% Net Premium	50% Net Premium	Cash Surplus			
111	Nepal	0.004	14,858	-	13	-	-	13	14,845
112	Netherlands	1.691	6,281,114	1,569	-	-	-	1,569	6,279,545
113	New Zealand	0.221	820,891	231	-	-	-	231	820,660
114	Nicaragua	0.001	3,714	-	3	-	-	3	3,711
115	Niger	0.001	3,714	66	-	128	202	396	3,318
116	Nigeria	0.042	156,007	-	-	-	-	-	156,007
117	Norway	0.680	2,525,818	549	-	-	-	549	2,525,269
118	Oman	0.070	260,011	57	-	-	-	57	259,954
119	Pakistan	0.055	204,294	-	194	-	-	194	204,100
120	Panama	0.019	70,574	-	-	-	-	-	70,574
121	Papua New Guinea	0.003	11,143	-	-	-	-	-	11,143
122	Paraguay	0.012	44,573	12	-	-	1,017	1,029	43,544
123	Peru	0.092	341,728	-	-	6,223	9,821	16,044	325,684
124	Philippines	0.095	352,872	-	318	-	-	318	352,554
125	Poland	0.461	1,712,356	347	-	-	-	347	1,712,009
126	Portugal	0.470	1,745,786	26	-	-	-	26	1,745,760
127	Qatar	0.064	237,724	30	-	-	-	30	237,694
128	Romania	0.060	222,866	52	-	-	-	52	222,814
129	Russian Federation	1.101	4,089,596	-	3,818	-	-	3,818	4,085,778
130	Rwanda	0.001	3,714	-	-	-	-	-	3,714
131	Saint Kitts and Nevis	0.001	3,714	-	-	-	-	-	3,714
132	Saint Lucia	0.002	7,429	-	6	-	-	6	7,423
133	Saint Vincent and the Grenadines	0.001	3,714	1	3	-	-	4	3,710
134	Samoa	0.001	3,714	-	-	-	-	-	3,714
135	San Marino	0.003	11,143	2	-	-	-	2	11,141
136	Sao Tome and Principe	0.001	3,714	-	-	-	-	-	3,714
137	Saudi Arabia	0.714	2,652,109	482	-	-	-	482	2,651,627
138	Senegal	0.005	18,572	-	-	-	-	-	18,572
139	Serbia and Montenegro	0.019	70,574	-	-	-	-	-	70,574
140	Seychelles	0.002	7,429	-	6	128	202	336	7,093
141	Sierra Leone	0.001	3,714	-	-	-	-	-	3,714
142	Singapore	0.388	1,441,202	333	-	-	-	333	1,440,869
143	Slovakia	0.051	189,437	40	-	-	-	40	189,397
144	Slovenia	0.082	304,584	77	-	-	-	77	304,507
145	Solomon Islands	0.001	3,714	-	-	-	-	-	3,714
146	Somalia	0.001	3,714	-	-	-	-	-	3,714
147	South Africa	0.292	1,084,616	368	-	-	-	368	1,084,248
148	Spain	2.523	9,371,526	2,181	-	-	-	2,181	9,369,345
149	Sri Lanka	0.017	63,146	15	-	-	-	15	63,131
150	Sudan	0.008	29,716	-	-	449	709	1,158	28,558
151	Suriname	0.001	3,714	-	6	257	405	668	3,046
152	Swaziland	0.002	7,429	2	-	-	-	2	7,427
153	Sweden	0.999	3,710,723	969	-	-	-	969	3,709,754
154	Switzerland	1.198	4,449,896	1,224	-	-	-	1,224	4,448,672
155	Syrian Arab Republic	0.038	141,149	60	-	-	-	60	141,089
156	Tajikistan	0.001	3,714	-	-	-	-	-	3,714
157	Tanzania, United Republic of	0.006	22,287	3	13	-	-	16	22,271
158	Thailand	0.209	776,318	287	-	-	-	287	776,031
159	The form. Yug. Rep. of Macedonia	0.006	22,287	-	20	1,056	647	1,723	20,564
160	Timor-Leste, Dem. Rep of (1)	0.001	3,714	-	-	-	-	-	3,714
161	Togo	0.001	3,714	-	-	-	-	-	3,714
162	Trinidad and Tobago	0.022	81,718	15	52	-	-	67	81,651
163	Tunisia	0.032	118,862	-	95	-	-	95	118,767
164	Turkey	0.372	1,381,771	345	-	-	-	345	1,381,426
165	Turkmenistan	0.005	18,572	-	-	-	-	-	18,572
166	Uganda	0.006	22,287	-	-	-	-	-	22,287

INCOME BUDGET FOR 2006-2007
STATEMENT OF CONTRIBUTIONS DUE FROM MEMBER STATES FOR 2006
(In Swiss francs)

Member States	Assessed Contribution for 2006		Earned Credits Distributed in Respect of :				Total Credits	Net Contribution for 2006
			2004	2002-03	Prior years			
	%	Amount	Incentive Scheme	50% Net Premium	50% Net Premium	Cash Surplus		
167 Ukraine	0.039	144,863	2	-	-	-	2	144,861
168 United Arab Emirates	0.235	872,893	174	-	-	-	174	872,719
169 United Kingdom	6.133	22,780,645	2,227	-	-	-	2,227	22,778,418
170 United States	22.000	81,717,625	-	71,059	-	-	71,059	81,646,566
171 Uruguay	0.048	178,293	-	-	-	-	-	178,293
172 Uzbekistan	0.014	52,002	-	-	-	-	-	52,002
173 Vanuatu	0.001	3,714	-	-	-	-	-	3,714
174 Venezuela	0.171	635,169	-	666	10,072	15,896	26,634	608,535
175 Viet Nam	0.021	78,003	5	-	-	-	5	77,998
176 Yemen	0.006	22,287	-	21	-	-	21	22,266
177 Zambia	0.002	7,429	-	-	-	-	-	7,429
178 Zimbabwe	0.007	26,001	6	26	-	-	32	25,969
TOTAL	100.000	371,443,750	42,959	164,080	212,383	336,152	755,574	370,688,176

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