



FIRST ITEM ON THE AGENDA

**Preview of the Programme and Budget proposals for 2008-09 and related questions**

**(b) Preview of programme and budget proposals**

**Introduction**

1. The Office prepares programme and budget proposals (every second year) during a period running from May to January before the discussion and adoption of the programme and budget by the Governing Body (March) and the International Labour Conference (June). The preview of the programme and budget presents the Governing Body with the opportunity to examine an early version of these proposals. It allows the Office to revise its proposals in the light of the guidance given by the Governing Body.
2. The present preview lays out preliminary policy and strategy orientations. By its very nature it is preliminary and does not include detailed text on strategy, indicators and targets as well as the detailed budgetary information that will be provided in the proposals presented to the Governing Body at its March 2007 session.
3. At this stage of the preparation of the Programme and Budget proposals for 2008-09, the guidance of the Governing Body would be particularly valuable on the content, number and balance of the proposed outcomes and initial strategy statements, as well as on appropriate ways to address the financial challenges confronting the ILO.

**Overview of programme proposals**

**Responding to the strong support for the Decent Work Agenda**

4. The Programme and Budget proposals for 2008-09 are prepared in a context that is singularly different from two years ago. Four elements define this context. First,

manifestations of high-level political and tripartite support to the Decent Work Agenda have multiplied. Second, reform towards “One United Nations” has gathered pace. Third, decent work country programmes are rapidly becoming the ILO’s main instrument of delivering support to constituents in countries, together with regional and global advocacy. Lastly, the ILO will continue to strengthen the overall approach to management based on managing scarce resources for maximum impact and results.

5. Taken together, these elements define the central thrust of the Programme and Budget proposals for 2008-09: supporting constituents to implement the Decent Work Agenda in accordance with the characteristics of each region and country.
6. Decent work has now clearly emerged as a global goal. This is echoed in the World Summit Outcome document, and its paragraph 47 in particular, adopted by the United Nations General Assembly in September 2005. It is echoed in the United Nations Economic and Social Council Ministerial Declaration adopted in July 2006, the first paragraph of which states:

We are convinced of the urgent need to create an environment at the national and international levels that is conducive to the attainment of full and productive employment and decent work for all as a foundation for sustainable development. An environment that supports investment, growth and entrepreneurship is essential to the creation of new job opportunities. Opportunities for men and women to obtain productive work in conditions of freedom, equity, security and human dignity are essential to ensuring the eradication of hunger and poverty, the improvement of the economic and social well-being for all, the achievement of sustained economic growth and sustainable development of all nations, and a fully inclusive and equitable globalization.

7. The Ministerial Declaration further calls on the “United Nations funds, programmes and agencies and ... financial institutions to support efforts to mainstream the goals of full and productive employment and decent work for all in their policies, programmes and activities.” This call reaffirms the relevance of the Decent Work Agenda, alongside the 2015 Millennium Development Goals.
8. The Regional Meeting of the Americas (May 2006) and the Asian Regional Meeting (August 2006) both called for a decent work decade to implement a Decent Work Agenda as a central focus of national strategies to achieve the 2015 Millennium Development Goals.
9. The reform measures to put in place “One United Nations” have gathered pace. Although details of reform measures are still under consideration, there is a broad consensus on the need for greater policy convergence among United Nations system funds, programmes and agencies, as well as enhanced inter-agency cooperation in implementation and harmonization of processes, particularly in countries. The ILO has long advocated for this change and will remain an active proponent of, and participant in, “One United Nations” reform efforts. The thrust of the ILO’s effort will bear on global policy convergence and decent work country programmes.
10. Decent work country programmes will remain the main instrument for the delivery of ILO support to constituents in countries. <sup>1</sup> Attention will focus on raising the quality and impact of country programmes in order to demonstrate feasibility of decent work policies. The periodic evaluation of decent work country programmes will be generalized and yield a

<sup>1</sup> For an update see review of decent work country programmes (GB.297/TC/1).

body of lessons to improve quality.<sup>2</sup> The strategic objective of decent work country programmes will be to advance the Decent Work Agenda, both in countries and in regions. Making the ILO's work in countries more effective within the framework of "One United Nations" through decent work country programmes is one of the key elements underpinning these proposals.

11. The Governing Body is considering a parallel document on a "Strategy for the continued improvement of results-based management in the ILO"<sup>3</sup> which outlines a road map and milestones. A number of reforms are suggested in overall management practices, and in the management of the programme and budget and of decent work country programmes that pertain to 2008-09.
12. The overall thrust of the proposals for 2008-09 stems from the Strategic Policy Framework 2006-09 and its discussion in the Governing Body.<sup>4</sup> The primary role of the ILO is to assist constituents in member States to give effect to the Decent Work Agenda. This involves sustained and parallel improvements in rights, employment, social protection and social dialogue. To achieve this, the ILO works with its tripartite constituents in countries, regions and globally, and collaborates closely with global and regional partners who share this outlook and want to promote the Decent Work Agenda.

### **Preparation of programme and budget proposals**

13. The preparation of the Programme and Budget proposals for 2008-09 has benefited from the Governing Body's discussions on results-based management. The Director-General's programme guidance letter, issued in early May 2006, made specific reference to these discussions and to the need to improve the formulation of proposals. Extensive support was provided to staff with the responsibility of preparing proposals, including training and advice from external consultants in the formulation of outcomes and indicators. All proposals have gone through a peer review process involving representatives from the regions, sectors, the Bureau for Employers' Activities and the Bureau for Workers' Activities, Policy Integration and the Gender Bureau. A dedicated Office-wide effort was made to upgrade the gender dimension of the proposals. Particular attention was given to the governance, support and management functions for which the Governing Body had requested more tightly formulated proposals.
14. All proposals were reviewed for conformity to the Director-General's guidance on streamlining and efficiency. This guidance included measures to streamline administrative services through greater reliance on management support units, and application of good practice in terms of ratios of professional to support staff.
15. The proposals were developed using improved IRIS functionality. Decent work country programmes, at various stages of development, provided reference points for determining regional priorities and establishing geographically specific targets for indicators. IRIS continued to support collaboration across the Office in the development of the strategic proposals accessible by all ILO staff at each stage.

<sup>2</sup> See Country programme evaluation: The Philippines (GB.297/PFA/2/3).

<sup>3</sup> GB.297/PFA/1/1.

<sup>4</sup> See GB.291/PFA/9 and accompanying Strategic Policy Framework document.

## Regional priorities and programme and budget proposals

- 16.** More than in any previous biennia, the programme and budget proposals have been based on the priorities of the regions. First, the proposals fully reflect the outcomes of recent ILO Regional Meetings and regional summit meetings. Second, regions were the first to express their priorities for 2008-09 and other units were subsequently asked to address these. Third, the regions participated fully in the peer review that examined all draft proposals. Four, all regions now use decent work country programmes as the main means of delivering ILO assistance to constituents.
- 17.** The table below provides a summary of the main priorities identified by each region for the ILO in 2008-09. These priorities are set within the framework of recent and future regional ILO meetings that define the overall approach for the ILO in each region.

Region	Main priorities
Africa	(i) Employment creation: The ILO programme in Africa is geared towards supporting the technical capacity of constituents to achieve the overall objective of making employment creation an explicit and central objective of national, regional and continental economic policies, as called for by the 2004 Special African Union Summit. ILO assistance will focus on labour market information, youth employment programmes, women's entrepreneurship and employment-intensive infrastructure investment programmes.
	(ii) Social protection: Emphasis on making social protection available to the informal economy and combating HIV/AIDS at the workplace.
	(iii) Social dialogue and tripartite institutions: Support to social dialogue and social partners to participate in national poverty reduction strategies, application of fundamental principles and rights at work.
Arab States	(i) Poverty reduction and job creation, particularly youth employment: Emphasis will be on labour market information, employment policy, training policies, employment services, small enterprise development and the informal economy.
	(ii) Tripartism and social dialogue: International labour standards and fundamental principles and rights at work, capacity building of employers' and workers' organizations and labour administration.
	(iii) Social protection, with an emphasis on strengthening the capacity of social security institutions to improve their governance and extend coverage.
	(iv) Assistance to crisis-affected countries and territories, with emphasis on social and economic rehabilitation and job creation.
Asia and the Pacific region	(i) Competitiveness, productivity and jobs: Policies raising economic growth, employment, productivity and incomes in defined economic sectors.
	(ii) Labour market governance: Labour law, labour inspection, employment services and dispute settlement mechanisms.
	(iii) Social protection: Extension of social security, particularly in the urban informal economy and in rural areas, and promotion of occupational safety and health based on the new promotional framework.
	(iv) Elimination of child labour and decent work opportunities for youth: Mainstreaming of child labour and youth employment into national development policies and poverty reduction strategies.
	(v) Improved management of labour migration: Information and data exchange, training of staff, promotion of codes of practice on recruitment and protection of migrant workers.

Region	Main priorities
Europe and Central Asia	(i) Decent work as a national, European and global goal: The central objective of ILO assistance to countries is to anchor decent work firmly as a national goal and to contribute to its implementation through Decent work country programmes.
	(ii) Employment and social protection: Employment services, employment strategies, eradication of child labour, social protection schemes supporting social inclusion and efficient labour markets; legislation, institutions and policies to combat forced labour and trafficking, protect the rights of migrant workers, manage labour migration flows and encourage return of migrant workers.
	(iii) Governance through workers' rights and social dialogue: Promotion of fundamental Conventions and other important Conventions, reform of legislation, training of legal experts, legal and policy advice; strengthening of tripartite social dialogue and bipartite collective bargaining; support to employers' and workers' organizations to expand membership.
Latin America and the Caribbean	(i) Application of fundamental principles and rights at work: Improvements in labour relations, eradication of child labour and forced labour, promoting gender equality and elimination of racial and ethnic discrimination.
	(ii) Reducing poverty and social exclusion: Emphasis on employment promotion, small enterprise development, vocational training and human resources development, wage policy in relation to productivity increases and inflation.
	(iii) Social and labour protection: Extension of social security coverage to reduce poverty and social exclusion, reduction in occupational accidents and diseases with better information systems, combating HIV/AIDS at the workplace; orderly management of labour migration and protection of migrant workers.
	(iv) Strengthening democratic governance: Modernization of labour institutions, labour inspection.

## Proposed outcomes for 2008-09

- 18.** In the process of developing programme and budget proposals, as well as proposals on results-based management, particular emphasis was given to the issues of measurement raised by the Governing Body on several occasions. Workshops directed at the formulation of improved outcomes and indicators identified a number of potential improvements, including the need to simplify and streamline the logical framework that the Office had developed.
- 19.** Some improvements in measurement can only be fully introduced through reform to the programming cycle. This concerns, in particular, measurement over a longer period and a clear distinction between the purposes of implementation reporting and evaluation. However, it is proposed to introduce some improvements in the proposals for 2008-09, consistent with longer term plans.
- 20.** Analysis of the existing outcomes, indicators and targets suggest that it is important to distinguish between the priorities of constituents (intermediate outcomes) and the results for which the Office is accountable (immediate outcomes). The paper<sup>5</sup> on a strategy for the continued improvement of results-based management in the ILO before the Governing Body, provides a fuller discussion of the rationale behind this revised logical framework and proposes changes in terminology that are reflected in the discussion below. The intent is to simplify and clarify the overall results-based framework as well as to bring ILO terminology more into line with the standards used in managing for results. For 2008-09, it is proposed to use the terms "intermediate outcomes" and "immediate outcomes" with associated indicators.

<sup>5</sup> GB.297/PFA/1/1.

21. A summary of the proposed intermediate outcomes and the related main strategies is presented in the following table. The ILO intermediate outcomes are defined in the Strategic Policy Framework 2006-09 and its discussion by the Governing Body in November 2004.<sup>6</sup> There is a broad consensus on the main priorities of the ILO reflected in the strategic framework.
22. The Governing Body may wish to comment on the number, formulation and distribution of intermediate outcomes as proposed below. The broad distribution of resources across strategic objectives and outcomes is unlikely to change significantly in 2008-09 when compared to 2006-07. It is therefore immediately apparent that fewer outcomes lead to a higher level of resources per outcome. This is in line with the principles of managing resources for results.

### Strategic Objective No. 1: Standards and fundamental principles and rights at work

Proposed outcomes	Main elements of the strategy for the biennium
<i>Fundamental principles and rights at work are widely applied</i>	Global monitoring of fundamental principles and rights at work will continue, with a focus on strengthening the capacity of governments and employers' and workers' organizations to identify problems, develop effective measures and their application and influencing UN country programmes. Lessons from technical cooperation will be distilled for use by constituents and field offices. Tools for gender-sensitive country assessments of the application of fundamental principles and rights will be introduced as a means to strengthen constituents' capacity.
<i>Targeted action progressively eradicates child labour</i>	The strategy will comprise: (i) building capacity of and transferring capacity to constituents to implement time-bound programmes to eliminate the worst forms of child labour; (ii) strengthening the worldwide movement against child labour especially through high-level advocacy and exchange of experience; and (iii) further integrate effective measures against child labour within ILO programmes, including country programmes and statistical indicators. The knowledge base on combating child labour will be developed with documentation and advocacy of successful practices.
<i>International labour standards are effectively applied</i>	The strategy for enhancing the effectiveness of labour standards will focus on strengthening the supervisory system, improving the quality of the information in reports under articles 19 and 22, fostering greater involvement of the social partners in monitoring the application of labour standards in countries and at workplaces, and building greater awareness of how standards can be better integrated into policy advice and technical cooperation; new tools and analysis will be developed to promote wider understanding of international labour standards.

### Strategic Objective No. 2: Employment

Proposed outcomes	Main elements of the strategy for the biennium
<i>Coherent policies support economic growth, employment generation and poverty reduction</i>	The strategy is to support constituents through advocacy, policy dialogue and advice, demonstration projects and capacity building to make productive employment and decent work a central feature of economic and social policies. Particular attention is given to the relationship between economic growth, enterprise development, employment, social finance and poverty reduction within PRSPs, and to trade, employment and labour market policy interlinkages, taking into account ILO approaches for enterprise development, skills and employability and social finance. Global, regional and national employment trends will be monitored.
<i>Workers, employers and society</i>	Based on the Human Resources Development Recommendation (No. 195) and relevant

<sup>6</sup> GB.291/PFA/9 and GB.291/8/1(Rev.2).

Proposed outcomes	Main elements of the strategy for the biennium
<i>benefit from the wider availability of relevant and effective skills development and employment services</i>	Conventions, the ILO offers research analysis, exchange of international experience, policy advice, and technical support to constituents interested in reforming and strengthening vocational education and training systems or employment services in order to better link skills development to employment and emerging economic opportunities and to open gateways to employment for youth and marginalized groups of women and men.
<i>Young women and men have decent employment opportunities</i>	The strategy is to support constituents through knowledge development, policy advice, and capacity building to implement integrated and inclusive youth employment interventions. Particular attention is given to linkages between education, child labour, employment and school-to-work transitions. National action plans will be developed to mainstream policies and programmes for youth employment, in cooperation with the youth employment network. Operational programmes to enhance young peoples' employability and facilitate access to decent employment will be supported, with particular attention to disadvantaged youth.
<i>Sustainable enterprise development for decent work</i>	A three-pronged approach is developed to strengthen enterprises (including cooperatives, social finance and social economy initiatives): promotion of an enabling environment for enterprises, by removing biases against enterprises and women entrepreneurs, local economic development based on clusters of enterprises and value chains, and workplace practices enhancing productivity and workers' rights. Strong partnerships with national and international alliances will be continued; recovery and reconstruction in response to crises will draw on employment and enterprise work.
<i>Investment policies for employment-intensive infrastructure development</i>	Capacity building and demonstration projects will be undertaken with ILO constituents to integrate employment and social policy into public and private infrastructure investment policies and programmes. Work will focus on three areas: assessing the employment impact of major public and private infrastructure investments; designing and promoting small enterprise and decent employment-friendly procurement and contracting systems; improving the efficiency and cost-effectiveness of public and community works schemes combining employment and social protection objectives.

### Strategic Objective No. 3: Social protection

Proposed outcomes	Main elements of the strategy for the biennium
<i>More people have access to better managed social security benefits</i>	The Office will provide technical advice, information, capacity building and tools – consolidated into national social security action plans – as basis for policies to extend the coverage of social security systems, level and range of benefits and strengthen their monitoring, governance and management within the framework of ILO social security standards. The Global Campaign on Social Security and Coverage for All will focus its next steps on integrating extension of coverage with job creation and income generation. Two key products will be prepared: a "guide to extending coverage in social security" and a report on "the state of social security around the world".
<i>Workplaces are safe and working conditions are decent</i>	Based on the "promotional framework for occupational safety and health" and the full range of working conditions, the Office will focus on knowledge, tools and training to support constituents, particularly in developing countries, with policies and programmes and workplace improvements in occupational safety and health and working and employment conditions. Particular emphasis will be given to hazardous work, capacity of labour administrations and the informal economy. Access to information will be enhanced and supported by applied research and international databases.
<i>Labour migration is managed and migrant workers have protection and decent employment</i>	In accordance with the ILO Multilateral Framework on Labour Migration, the Office will assist constituents with gender-sensitive labour migration policies and institutions, with emphasis on equality of treatment, non-discrimination, employment and development, portability of social security benefits and combating trafficking. The role of social dialogue and relevant international labour standards in labour migration policies will be reinforced. Statistics and research on labour migration will be developed.

Proposed outcomes	Main elements of the strategy for the biennium
<i>Workplace policies support prevention and treatment of HIV/AIDS</i>	The Office will support tripartite constituents' contribution to national responses to HIV/AIDS, including the fight against stigma and discrimination, prevention and provision of care, support and access to treatment through workplaces. Based on existing ILO/AIDS tools, gender-sensitive guidance and support to occupational health services will be provided as well as actions in specific sectors and beyond formal workplaces.

#### Strategic Objective No. 4: Social dialogue

Proposed outcomes	Main elements of the strategy for the biennium
<i>Employers and workers have strong and representative organizations</i>	The Office will strengthen capacity and institutional management in employers' and workers' organizations with a range of tools and training packages in order to help them provide new and better services to their members and extend representation. Workers' organisations will focus on poverty reduction through decent work with particular attention to labour standards, social protection, assistance in organizing workers in formal and informal economies and EPZ, and enhanced capacity to dialogue on globalization. Employers' organizations will focus on staff competence building and include skills for recruitment and retention of members, lobbying, advocacy and networking, as well as policy competence. Emphasis will also be placed on direct services that can be revenue-generating, which can help to hire and retain competent staff.
<i>Social partners influence economic, social and governance policies</i>	The Office will strengthen the capacity of employers' and workers' organizations to negotiate and influence policy outcomes. Workers' organizations will focus on rights-based, participatory and sustainable socioeconomic development and poverty reduction. Particular attention will be to national and international governance coherence, expand the role of women in decision-making bodies, promote decent jobs for young people and vulnerable groups; enhance skills and access to education for all. The negotiation and advocacy skills of employers' organizations will be strengthened in order to ensure an effective business voice, necessary to improve enterprise performance and competitiveness.
<i>Rights and rule-based economic and social governance achieves fair and efficient labour market outcomes</i>	Following the 2002 ILC resolution on tripartism and social dialogue, the 2006 ILC resolution on the role of ILO in technical cooperation and the 2005 evaluation on IFP/DIALOGUE, the Office will provide advice and support to constituents to improve economic and social governance through labour standards, modernized labour legislation, labour administration and appropriate forms of social dialogue, including improved dispute prevention and resolution and collective bargaining practices. Work in regions and subregions on the social dimension of integration processes will focus on the harmonization of labour policy and legislation.
<i>Sectoral tripartite dialogue promotes decent labour and social conditions</i>	Through tripartite meetings, action programmes, training and research, the Office will foster sectoral social dialogue to improve labour and social conditions in specific economic sectors. Sectoral Conventions, codes of practice and guidelines will be actively promoted. Training packages related to recently adopted sectoral Conventions, such as the Maritime Labour Convention, 2006, and other practical tools will be further developed and used to build tripartite constituents' capacities.

#### Proposed joint outcomes

23. An important innovative feature of these proposals lies in two joint outcomes, respectively on the informal economy (with implementation jointly led by sectors 2 and 3) and on social dialogue and international labour standards and rights (with implementation jointly led by sectors 1 and 4). These joint outcomes reflect the ongoing commitment of the Office to facilitate integration across the technical sectors building on existing synergies. This should lead to joint development of strategies to implement the outcomes in countries and

globally, thereby fostering an efficient use of resources and reducing segmentation and duplication.

24. The following two outcomes have been developed jointly by the sectors. Responsibility for their implementation would be shared between two sectors with contributions from all sectors. The two joint outcomes correspond to priorities identified in all regions.

Proposed outcomes	Main elements of the strategy for the biennium
<i>Promotion of tripartite dialogue on key international labour standards</i>	Tripartite dialogue within the framework of the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144) and Recommendation (No. 152) and the resolution concerning tripartism and social dialogue (International Labour Conference, 2002) will be promoted. A limited number of international labour standards will be targeted to assist individual countries with ratification and issues arising from the comments of the ILO supervisory bodies. The practice of consultation, dialogue, negotiation and cooperation, participation in relevant institutions and processes, and rule-based procedures, is to be instilled. Consultation on technical cooperation will be a tool and an indicator. A tripartite process is vital to implementing relevant policies and programmes which draw on the principles of the 1998 Declaration on Fundamental Principles and Rights at Work, requirements especially of ratified Conventions and indications from the supervisory bodies as to problems needing attention.
<i>Integrated policies for the informal economy</i>	To raise the quality of employment of the working poor in the informal economy, an integrated approach will be developed combining employment promotion and social and labour protection to facilitate the transition of the informal economy into the mainstream economy; the knowledge base will be enhanced through an inventory of tools, good practices and guidelines for integrated policies to upgrade the informal economy; policy advice will be offered to upscale good practices into national policies for defined economic sectors and/or specific territories or clusters; this outcome responds to the ILC 2002 resolution concerning decent work and the informal economy; it follows on work carried out in 2006-07 under the In-Focus Initiative on the informal economy.

## Mainstreamed strategies

25. Five mainstreamed strategies guide the implementation of each of the outcomes. As such, these are not additional but rather specific dimensions of the implementation strategy of each outcome. The five strategies are a fair globalization, working out of poverty, gender equality, international labour standards, social partners and social dialogue. In order to fully reflect the need for gender-specific strategies, particular attention is being given to mainstreaming gender across all outcomes, strategies, indicators and targets.

## Revised logical framework

26. The following table illustrates the revised logical framework and provides an example of one intermediate outcome for each strategic objective followed by one immediate outcome and an associated indicator.

	Strategic Objective No. 1	Strategic Objective No. 2	Strategic Objective No. 3	Strategic Objective No. 4
Intermediate outcome (8-12 years)	Fundamental principles and rights at work for women, men and children are better applied	Enabling environment fosters growth of strong small enterprises and cooperatives	Improved governance and coverage of social security systems	Social dialogue and labour law and administration support labour market and workplace policies
Immediate outcome (4-6 years)	Member States use ILO knowledge and tools to implement time-bound programmes to end child labour	Constituents use ILO policy advice and tools to improve policy and regulatory environment for small enterprises and cooperatives	Constituents in member States use ILO technical advice, tools and training to improve management and extend population coverage and range of benefits of social security systems	Member States use ILO knowledge and advice to ratify and apply Conventions Nos. 144, 150 and 154 on social dialogue, labour administration and collective bargaining
Indicator(s) of immediate outcome	Member States that implement two new or incremental interventions associated with time-bound programmes (legal change, data collection, setting of targets, monitoring system, mainstreaming child labour policy)	Member States that apply at least two measures identified in Recommendations Nos. 189 and 193	Member States that introduce at least two among the following reforms: governance, financial viability, extension of population coverage, extension of range of benefits, as recorded in the new global Social Security Inquiry	New ratifications for the three priority Conventions. Request for and use of ILO knowledge and advice

## Governance, support and management

- 27.** To effectively discharge its mandate and assist constituents in member States in promoting and implementing decent work policies and programmes, the ILO relies on a range of internal services that involve the management of human, financial, technological and physical resources, meetings and document production. These resources are used to service the governance structures of the ILO, oversee compliance with ILO rules, regulations and decisions on the use of these resources, and provide direct services at headquarters and in regional offices.
- 28.** The governance, support and management services of the ILO represent a substantial share of the ILO biennial budget. A new results-framework has been designed for these services around three main outcomes.

Proposed outcomes and indicators	Main strategy for the biennium
1. <i>ILO human, financial, physical and technological resources effectively support programme execution</i>	Timely processing of services and payments; cost effective purchasing; improvement in quality of service through training and advice, including through user and client satisfaction survey; use of IRIS to enhance regional services.
2. <i>ILO managers apply sound management and legal principles, including managing for results</i>	Change management strategy including management training and established review procedures on overall performance, audit report and evaluation.
3. <i>ILO governing bodies have the necessary information, policy advice, services and support to function effectively</i>	Overall quality of services and information provided to ILO governing organs will be improved within current budget allocations through more efficient document processing and more detailed information (through IRIS).

- 29.** Here are three examples of revised indicators that have been developed:
- Indicator 1 (for outcome 1 above): Availability of IRIS functionalities (finance, human resources, trust funds, accounting and enhanced strategic management module) in ILO external offices.
  - Indicator 2 (for outcome 2 above): Increase in the number of programme managers that are reviewed through a revised staff performance management system assessing programme effectiveness and efficiency in achieving established results.
  - Indicator 3 (for outcome 3 above): Transparent linking of resources to operational outcomes and decent work country programmes.
- 30.** A detailed strategy will complement each of the above outcomes, with a revised set of indicators, targets and baselines (or benchmarks). Note that these outcomes are Office-wide and rely on the contribution and cooperation of several units.

### **Coordinated strategy for knowledge and communication**

- 31.** A coordinated knowledge management and communication strategy will be implemented in 2008-09 in order to strengthen the ILO's capacity to provide high quality and operationally relevant policy advice, services and products. This strategy spans four areas, namely research, statistical information, capacity building of constituents and communication. In these four areas a coordinated strategy will ensure focus on and support to the Decent Work Agenda.
- 32.** The ILO will concentrate resources on a limited number of research priorities. An internal mechanism will ensure the quality of the ILO research effort and maximize synergy across the Office. This will lead to a limited, though relevant and high quality, number of products. ILO statistical information will be reviewed in the light of its relevance to the Decent Work Agenda. The ILO will facilitate external access to its information and knowledge. This calls for a wider use of Internet-based solutions to make available ILO information and knowledge, including statistical data, to a wide audience.
- 33.** In collaboration with the International Training Centre of the ILO in Turin, a coordinated strategy will be designed to support capacity building of constituents in each of the four pillars of decent work and in integrated approaches to the implementation of decent work policies and programmes. This will require greater planning and harmonization between the Centre and the ILO regional and technical programmes.
- 34.** Communication on trends and achievements in relation to decent work is an essential part of the ILO's advocacy role. Greater coordination between the regional and technical programmes and the Department of Communication and Public Information will ensure a regular stream of topical communication around the Decent Work Agenda.
- 35.** In order to support the above, a knowledge audit will be carried out to identify the ILO's knowledge assets and needs, and to evaluate its knowledge-sharing activities. The audit will serve to reveal appropriate knowledge-sharing practices and form the basis for an ILO strategy for knowledge sharing.

## **Decent work country programmes and global policy convergence**

- 36.** The ILO will deliver its programme in two main ways. First in countries, together with constituents, the ILO will define and implement decent work country programmes. The programme and budget provides the broad framework for the elaboration of decent work country programmes by defining outcomes and budgetary allocations. At the same time, decent work country programmes inform the programme and budget about priorities of constituents and areas of focus.
- 37.** The ILO will actively pursue collaboration and integration between United Nations country programmes and decent work country programmes. The first signs of close collaboration are emerging with decent work priorities reflected in UNDAF in an increasing number of countries, such as Cambodia, Dominican Republic, Ghana, Indonesia, Jordan and Mali. The ILO welcomes this opportunity to broaden the support to the Decent Work Agenda within the emerging framework of the “One United Nations” programmes in countries. The challenge will be to achieve the requisite critical mass in support of each United Nations country programme within the ILO’s limited resources. Likewise, maintaining a minimal presence in each country with a common United Nations country programme will stretch ILO capacity. Innovative solutions within current resource allocations will have to be devised to meet these challenges.
- 38.** Second, the ILO will work with United Nations bodies and agencies to implement the United Nations Economic and Social Council Ministerial Declaration “... to mainstream the goals of full and productive employment and decent work for all ...” in the respective policies and programmes of each agency in keeping with their respective mandates. Resolutions, conclusions and discussions in the International Labour Conference, the Governing Body and regional and technical meetings contribute to the global and regional debate on policies to promote decent work.
- 39.** The ILO will continue to work in close partnership with United Nations bodies, agencies, funds and programmes, with global and regional institutions and development banks, and with regional bodies such as the African Union, the Organization of American States, the European Union, the Arab League, and the Association of Southeast Asian Nations. In particular, the ILO works in close collaboration with: the International Fund for Agricultural Development (IFAD) and the FAO on rural employment; the WHO on safety and health at the workplace; UNAIDS on HIV/AIDS at the workplace; UNCTAD on trade policy and assistance to least developed countries; UNESCO on education and training, particularly for young women and men; UNEP on rural and urban environmental programmes; UNHCR on refugee programmes; UNICEF and UNESCO on child labour; UNDP on national development strategies. Such cooperation takes place in countries facilitated by common United Nations country programmes, but also among regional bodies and between the headquarters of each institution.
- 40.** The ILO will strengthen its cooperation with the Bretton Woods institutions and with regional development banks on labour standards, employment and social protection, and poverty reduction strategies.

## **Financial challenges and the ILO budget**

- 41.** The ILO budget is faced with two major challenges. First, the ILO is today called upon to respond to an increase in the demand for its services. Second, major capital investments are required to maintain the value and functionality of ILO assets. The current level of the ILO budget is inadequate to address either the first or the second of these challenges.

42. Demand for ILO services has been steadily rising as expressed in the number of ILO member States (now at 179), in the total number of ratifications of international labour Conventions (at 7,400 in early September 2006, up by over 12 per cent since 1999), in the strong political support expressed to the Decent Work Agenda, and in the repeated pleas for greater assistance emanating from all constituents in all regions, as evidenced in recent regional meetings in Europe and Central Asia, the Americas and Asia.
43. The ILO biennial budget is almost entirely a current expenditure budget funding ILO programmes and related support costs during the budget period. With the exception of a modest balance in the Building and Accommodation Fund (approximately CHF8 million) the ILO budget has no investment capacity. This situation has prevailed over several decades. Earlier proposals to provide for future investment and liabilities have not been approved due to budgetary constraints.

### **A stagnant ILO budget**

44. Over the last four biennia (2000-01 to 2006-07), the ILO budget has been essentially stagnant. In constant dollars, the ILO budget was unchanged in 2004-05, declined in 2002-03 (-0.43 per cent), and increased only marginally in 2000-01 (0.16 per cent) and in 2006-07 (1.08 per cent). In addition, the budget has only partially been adjusted to account for inflation and cost increases, thereby transferring significant additional charges on the budget. With no growth in resources and faced with increasing demand for its services, the strategy has been to realize savings and efficiency gains in support services in order to maintain or increase direct services to constituents, particularly in the regions.

### **Changes in the composition and distribution of staff**

45. Between 1998-99 and 2006-07, the total number of staff financed by the regular budget has declined by 603 work-months or 1.5 per cent. More importantly, the geographical distribution and composition of staff has changed significantly. The number of professional staff located in the regions, as a share of all professional staff, has gone from 33.5 per cent in 1998-99 to 41.3 per cent in 2006-07. Additionally, the share of professional positions in total staff has increased (from 42.5 per cent in 1998-99 to 48.9 per cent in 2006-07) with a corresponding decline in general service positions, particularly at headquarters. This points to a more efficient use of support staff.

### **Extra-budgetary contributions and staff costs**

46. The ILO's capacity to support technical cooperation is supplemented by programme support cost charges funded by extra-budgetary contributions. These charges are accounted for in US dollars. The cost of general service staff at headquarters has increased in dollar terms by 22 per cent since 1998-99 and that of professional staff by 23 per cent. As a result, fewer professional and headquarters general service staff can be paid from support costs for a given level of technical cooperation, resulting in increased workloads for regular budget staff. In spite of this constraint, technical cooperation delivery has improved and extra-budgetary expenditure increased from US\$83 million in 2000 to US\$154 million in 2005. This could not have been achieved without considerable gains in efficiency.

## Efficiency gains and savings

47. In spite of a stagnant ILO regular budget since 2000-01, a considerable number of additional costs, other than staff costs, have been absorbed. These include cost increases not fully provided for (amounting to some US\$6 million in 2006-07), additional expenditure decided by the Governing Body, additional expenditure on security of persons and premises (estimated in 2006-07 at some US\$2.4 million), and costs borne by the Office to service extra-budgetary technical cooperation projects. These additional expenditures have been absorbed by the ILO budget and point, again, to considerable efficiency gains with more services delivered at a constant budget level.

## New expenditure items

48. The practice of the Office has been to finance investments out of current income. Today, the ILO is faced with major investment needs without adequate budgetary provisions. In addition, new expenditure is required on security, governance and oversight. These two major categories of investment and expenditure are detailed below:

### *Capital investments*

- (i) Further to a decision of the Governing Body in March 2005<sup>7</sup>, a technical study of the ILO headquarters building was undertaken in 2006. The findings of the study indicate that major renovations and refurbishment of the building are required. A summary of the findings of the study and the estimated costs has been submitted to the Building Subcommittee.<sup>8</sup>
- (ii) The Building and Accommodation Fund is intended to provide adequate resources to finance periodic refurbishing and major maintenance works in all the buildings the ILO owns. Current resources in the Fund are inadequate to meet predictable needs.
- (iii) The ILO has, in 2004-05 and 2006-07, made substantial investments in renewing its information technology system with the introduction of IRIS. However, information technology systems must be regularly upgraded in order to maintain their operating capability. Currently, the ILO does not provide for this future expenditure.

### *Additional regular budget expenditure items*

- (i) Expenditure on security, ranging from building standards to staff training and equipment has notably increased in the recent past and is likely to increase even further. United Nations security standards are regularly being upgraded and the Office is obliged to meet the additional compliance costs.
- (ii) The Governing Body has recommended the strengthening of internal audit. In line with the discussion on United Nations reform and its relevance to the ILO, the Governing Body will also consider establishing an independent oversight committee as well as strengthening the ethics function.
- (iii) The Governing Body has already expressed support to the External Auditor's recommendation to adopt the new International Public Sector Accounting Standards (IPSAS). The financial and other implications of the adoption of IPSAS for the ILO

<sup>7</sup> GB.292/9/1, para. 62; and GB Minutes 292nd Session, para. 177(e).

<sup>8</sup> GB.297/PFAC/BS/3.

are addressed in a separate paper submitted to this Committee.<sup>9</sup> IPSAS requires full recognition in the financial statements of a number of liabilities such as After Service Health Insurance (ASHI), accrued annual leave and repatriation costs for internationally recruited officials. The funding of the largest of these liabilities, ASHI, is currently under consideration by the United Nations General Assembly and the Office will be guided by the Assembly's decisions on this and related items.

- (iv) The Governing Body last considered the level of the Terminal Benefits Fund in 1992. At that time it was considered that this Fund, which provides for repatriation grants and other statutory indemnities payable on termination of contracts, should be maintained at a level equivalent to cover approximately one-third of the total liability. As at 31 December 2005, the fund balance was US\$18.6 million or 17.5 per cent of the total estimated liability for end-of-service payments of US\$105.9 million.<sup>10</sup> In the context of broader United Nations reform, should the ILO decide to offer a "carefully constructed staff buyout"<sup>11</sup> similar to that proposed for the United Nations, the flexibility available for such a measure would be constrained by the limited resources available in the Terminal Benefits Fund.
- (v) The Governing Body has also indicated its wish to strengthen the evaluation capacity of the Office.

**49.** The ILO budget is faced with two major challenges. The current level of the budget does not enable the ILO to adequately respond to the increase in demand for its services. Additionally, the ILO budget has no capacity to finance the large investment needs outlined above. The programme and budget proposals to be presented at the next session of the Governing Body will take account of the views of the Governing Body on an appropriate financial strategy to address these challenges.

**50.** *The Committee may wish to recommend to the Governing Body that it request the Director-General, when preparing the Programme and Budget proposals for 2008-09 for its March 2007 session, to take account of the views expressed by the members of the Committee during the discussion of this item of its agenda.*

Geneva, 13 October 2006.

*Point for decision:* Paragraph 50.

<sup>9</sup> GB.297/PFA/6.

<sup>10</sup> GB.295bis/PFA/1.

<sup>11</sup> A/60/692 (UN General Assembly).