



TWELFTH ITEM ON THE AGENDA

**Reports of the Programme, Financial
and Administrative Committee****Third report: Programme and Budget
proposals for 2004-05****Contents**

	<i>Page</i>
Programme and Budget proposals for 2004-05.....	1
General discussion of the programme and budget proposals.....	1
Detailed discussion	10
Strategic Objective No. 1.....	10
Strategic Objective No. 2.....	15
Strategic Objective No. 3.....	18
Strategic Objective No. 4.....	21
Shared policy objectives	26
Governance, support and management	31
Draft resolution	34
Resumption of discussion	37

Appendices

I. The Director-General's introduction to the discussion of the Programme and Budget proposals for 2004-05 and the Implementation Report for 2002.....	39
II. The Director-General's reply to his PFAC discussion of the Programme and budget proposals for 2004-05.....	43

1. The Programme, Financial and Administrative Committee of the Governing Body met on 11, 12, 13, 14, 17 and 20 March 2003, chaired by Lord Brett, Chairperson of the Governing Body. Mr. M. Blondel (Worker spokesperson) was the Reporter.

Programme and Budget proposals for 2004-05 (Ninth item on the agenda)

2. The Committee had before it the Director-General's Programme and Budget proposals for 2004-05. This document¹ comprised a message from the Director-General; an introduction; a proposed strategic budget for 2004-05; detailed information on the strategic objectives and shared policy objectives; detailed information on governance, support and management; a draft budget of expenditure and income for 2004-05; and a number of information annexes.
3. The Committee's discussion was opened by the Director-General, who made a statement introducing his programme and budget proposals. The statement is reproduced in Appendix I.
4. After a recess, the Committee began its discussion of the programme and budget proposals. It was agreed that the discussion would follow the structure outlined in document GB.286/PFA/9/D1, but that each strategic objective would be taken separately.

General discussion of the programme and budget proposals

5. Mr. Botha, speaking on behalf of the Employer members, strongly supported a zero real growth budget and urged member States to do likewise.
6. He commented on the late distribution of the document, which should have been available at least two months prior to the meeting. Its size meant that downloading the electronic version was a problem, if not impossible in certain countries and, once downloaded, introductory pages were missing and some other pages were impossible to read. The late delivery meant that many members of the Employers' group were still struggling to make informed contributions. Employers also believed that the process of consultation had been inadequate including local consultations. The Employers' group felt that they could make little contribution to the final result or, particularly, to the tone of the document. He proposed a return to the practice of having earlier formal consultations at the PFAC in the November preceding production of the document, followed by more informal discussions.
7. Employers were unhappy with the cut in the Employment Sector budget. This was possibly explained by the movement of staff from the Employment Sector to the regions but he wished to see how management and cohesion would be achieved within each of the strategic objectives. He was also concerned to see the extent of reliance on extra-budgetary funds to do the core work of the Office and that these funds were growing in proportion to the regular budget. The funds were designed to meet donor needs and not necessarily the needs of constituents. The ILO's objectives should not be subordinated to the goals of the international community.

¹ GB.286/PFA/9.

8. The Employers had difficulty in accepting the treatment of the concept of globalization and appealed for a balanced approach. They were very wary of any ILO role in global framework agreements. Providing the contents of international labour standards was a very different role to that of promoting the use of such standards in framework agreements. The ILO should not promote standards developed for use by member States within enterprises. Governments apply rules in their own countries and companies comply with that.
9. Employers noted the development of measurement tools, but they had little information and employers believed that great caution should be exercised. Mr. Botha was concerned to see that large amounts of resources were being reserved for the as yet hypothetical activities arising out of the work of the World Commission and wondered whether this was the best use. There were decreases in the budgets of the four strategic objectives, the core work of the ILO, whilst increased budgets were being given to the Policy Integration Department and the Communications Department. In an environment of zero growth, the Employers did not wish to see a reduction in the core work of the ILO.
10. Mr. Botha indicated that employment and its component such as youth employment is the Employers' central priority. Other priorities are modernization of international labour standards, strengthening of the social partners and sectoral activities, Global Compact, ILO Declaration, IPEC, social security and HIV/AIDS.
11. Mr. Botha asked for more details in the extra-budgetary funds in the budget allocated to the regions.
12. Mr. Botha gave full support to the proposal to reduce the number and length of Governing Body documents and welcomed innovative ideas to improve the efficiency of the Governing Body. He also wished to see the Committee being better informed about national activities which should involve national constituency.
13. With regard to regional priorities, the Employers had been surprised to see that the budget did not treat employment as the major priority in Africa. Employers supported the Jobs for Africa programme. With regard to the Americas, the Employers supported having full participation of the social partners in regional negotiations and greater scope for tripartite regional discussions. The ILO, through ACT/EMP, should definitely be working to increase productive employment in the region. In the Arab States, the Organization should strengthen the capacity of social partners, notably to be involved in policy consultations. It should also focus on SMEs in the face of high levels of youth unemployment in the region. The capacities of social partners also needed to be strengthened in the Asian region. In Europe, priorities should be employment creation, the Stability Pact and social security, especially pension reform. In several countries, there were problems of freedom of association and the Office should involve itself by defending core principles and collaborating with national constituents.
14. Mr. Blondel emphasized that the Director-General's Programme and Budget proposals for 2004-05 were aimed at putting into practice the principle of decent work, which the Workers' group considered essential to sustainable economic growth and equitable social development. Unfortunately, after a steady decline in level over the last 25 years, the proposals would not allow the ILO to rise to the great challenges it faced, nor to meet the increasing demands in various areas: HIV/AIDS, the informal economy, youth employment, migration, tripartism, social dialogue and respect for fundamental rights and standards. The Worker members no longer wished to be the victims of a zero growth budget, particularly as the level of extra-budgetary funds showed that it was not inevitable. According to the estimates for 2004-05, extra-budgetary resources would amount to more than half of the regular budget. The influx of additional funds could of course only be

welcomed but it also had to be ensured that donors respected the ILO's priorities and directions set by the Governing Body and the Conference.

- 15.** The Director-General's programme and budget proposals were characterized by a transfer of resources towards the regions. While welcoming this shift towards decentralization, the Workers took the view that it must be strengthened and that there was still room for improvement in view of the fact that only 30 per cent of resources went to field programmes. The Director-General had structured his proposals around four broad headings, namely global governance and social justice, national responses to globalization, decent work to eradicate poverty and productive workplaces; these issues must not replace the four strategic objectives that were the pillars of decent work. The Workers' group insisted that the ILO made the most of its relative advantage within the United Nations system and set its objectives in the context of the world of work. The fact that decent work contributed to the fight against poverty and the realization of the Millennium Development Goals could only be welcomed, but the ILO's priorities must above all reflect the needs of constituents. The Workers had placed great hopes in the creation of the World Commission on the Social Dimension of Globalization but were concerned at the low level of funds earmarked to act on its recommendations. Focusing on fundamental labour standards and fundamental principles and rights at work meant that other standards were not accorded the importance they deserved. It would be interesting to know what follow-up was envisaged to the recommendations of the LILS Working Party on Policy regarding the Revision of Standards. The inter-sectoral programmes were an important innovation and should lead to better collaboration and synergy between the Office's sectors and units, whereas policy integration initiatives had not so far yielded spectacular results. Cross-cutting approaches and consideration of all interactions should become systematic within the Office. The ILO's web pages lacked all coherence and should be completely reviewed; and a debate should be held within the Governing Body on communication policy as the considerable funds assigned to communication in recent years had not had the anticipated effect. Finally, efforts had to be stepped up in areas such as tripartism, the ratification and implementation of standards, social dialogue and youth training, as well as freedom of association, which the Workers saw as a prerequisite for democracy and a contributor to a country's enrichment.
- 16.** The representative of the Government of the Russian Federation reaffirmed their position on the need to ensure zero nominal growth of the ILO budget for 2004-05. To achieve this task, he made several specific proposals. Firstly, he proposed to absorb small cost increases included in the budget. Secondly, he suggested slightly reducing a request for additional resources for administrative and support functions and, first and foremost, for human resources management. The real growth of allocations asked for the latter was premature before cost and benefit analysis of the human resources strategy which had never been accepted in the Committee by a consensus. Thirdly, he proposed to look at eventual savings on different categories and items of expenditure, including travel and documentation. Fourthly, he proposed to increase an adjustment for staff turnover which, in his view, should follow the evolution of the staff costs. He also gave a positive assessment of the proposed increase in resources for the four strategic objectives as well as for regions. Nevertheless, expenditure on management services remained the same in real terms and this suggested possibilities for savings and for the further redistribution of resources to the regions. In particular, he called for a qualitative increase in the ILO's activities in the subregion of the Commonwealth of Independent States.
- 17.** The representative of the Government of the United Kingdom, speaking on behalf of IMEC, gave support to the central objective of the budget proposals, namely the implementation of a coherent Decent Work Agenda. IMEC welcomed the Office's continuing development of strategic budgeting methods and its results-based management focus. She supported the transfer of resources from headquarters to the regions and

reiterated the request for a coherent plan of office space requirements to be presented at the next Governing Body meeting. IMEC hoped that the Office would continue to prioritize programmes in sectors where there was clear evidence of the added value of ILO assistance. IMEC supported the Director-General's plans to identify areas where costs could be further contained. Plans to reduce the number and length of Governing Body documents were particularly welcome. A smaller number of high-quality documents should be a target within the budget. Costs would also be reduced if the Governing Body meetings started on time.

- 18.** The representative of the Government of Germany expressed his regret that the document had not been distributed earlier. He gave his support to maintaining zero nominal growth and, in general terms, welcomed the reduction of support services but cautioned against going too far. Costs in connection with the World Commission were shown in three different places. He also questioned the significant increases in travel costs, particularly for the ILC.
- 19.** The representative of the Government of Norway gave his support to the general level of the budget proposal. He would have preferred a shorter document, with perhaps a summary to make it more accessible, but recognized that it gave a much better oversight of total resources. He hoped the trend towards increasing resources for the regions and reducing support services would continue. He also wished to receive an explanation of the impact of the United States dollar/Swiss franc exchange rate on the approved expenditure budget. The fight against child labour obviously had to be a top priority but it was difficult to see how much was going to be spent on this from the regular budget. US\$88 million of the funding was coming from extra-budgetary sources which suggested that the child labour programmes were strongly dependent on voluntary contributions. He wondered what would happen to the programme if voluntary contributions were to fall. Gender equality was one of the Norwegian Government's priorities and he was rather disappointed to find that the budget proposed reducing resources in this area.
- 20.** The representative of the Government of South Africa, speaking on behalf of the Africa group, wished to emphasize that technical cooperation was critical for Africa in its fight against poverty. She welcomed the transfer of resources to the regions and was also pleased to see increased resources for the Turin Centre and for human resources. With regard to the proposal to reduce the length of Governing Body documents, she hoped that this would lead to more user-friendly quality documents which would be distributed early. She was concerned about relying on extra-budgetary resources for priority programmes. Experience showed that donor focus and preferences changed over time. She welcomed the Director-General's plans to address this imbalance. More needed to be done in Africa towards realizing the Decent Work Agenda in order to fight poverty. She urged the Office to strengthen its resource mobilization strategies in order to attract donor funding for all strategic objectives for all regions.
- 21.** The representative of the Government of Argentina, speaking on behalf of the Latin America and Caribbean group, welcomed the contents of the budget with regard to decent work but was disappointed to find that amongst the cross-cutting objectives, insufficient attention had been paid to economic development. He welcomed the increase in resources for the regions, 4.6 per cent in the case of the Americas. There was a certain lack of coherence between the regular budget allocations and those of the extra-budgetary funding and greater consistency within the application of funds was required.
- 22.** The representative of the Government of the Republic of Korea, speaking on behalf of the Asia and Pacific group, welcomed the efforts of the Director-General to implement the Decent Work Agenda. The document showed clearly where the 2000-01 surplus was to be used but it would also be useful to know where any balance from the 1998-99 surplus was

to be applied. He was pleased to see the increase in resources for the regions but asked whether the Office could reconsider the budgets of the regional offices, particularly those of Bangkok and Beirut. The infrastructure and focus of both offices needed to be revived and strengthened. More could be done in terms of achieving efficiency savings at headquarters. Governing Body meetings could be shorter and savings could be made from a reclassification of posts and an active review of staffing structures. He urged the Office to attach the highest priority to its employment-related programmes which were so essential to achieving the Decent Work Agenda. Finally, he welcomed the emphasis within the document given to post-crisis reconstruction in the Asia and Pacific region and in the Arab States and looked forward to this beginning in the near future.

- 23.** The representative of the Government of Belgium, also speaking on behalf of the Netherlands, thanked the Director-General and the Office for the quality and clarity of the document. He would, however, have liked it to contain a precise description of the projects envisaged to complete the list of operational objectives. He associated himself with the statement made by the United Kingdom on behalf of IMEC and said that Belgium supported growth of the budget in real terms, as the ILO had to rise to formidable challenges and its expertise was in increasing demand, with the result that its mandate was disproportionate to the means at its disposal. The four strategic objectives, which encompassed issues as fundamental as child labour, the fight against unemployment, occupational safety and health and social dialogue, warranted the means necessary for their implementation. As the regular budget no longer sufficed, extra-budgetary resources were necessary. It was, however, important that a balance be maintained between the various sources of financing, and that the origin of the funds did not undermine the ILO's independence, which was fundamental. Having unfailingly supported standard setting, Belgium was concerned at the reduction in resources allocated to this strategic objective, and was adamant that all standard-setting and supervisory activities continue to have adequate funding. With these two reservations, he was in a position to support the Programme and Budget proposals for 2004-05.
- 24.** The representative of the Government of Japan appreciated the document. It was shown as an integrated budget proposal; it radically cut the management costs of headquarters; and it allocated more resources to regional activities. However, as regards the level of the budget, Japan's basic position was that it should be based on zero nominal growth. He understood that some increase in personnel and general costs could not be avoided, but further reduction of costs was possible. Under the draft budget, the surplus was used for investment expenditure, such as training workers and provision of IT equipment. The concern of the Director-General that investment costs had been cut in the zero nominal growth of recent ILO budgets was settled. He wanted to know the concrete effects of cost saving in the proposed regular budget. The draft budget indicated the retirement of high-level officials in the coming years. This should be an opportunity to review the distorted post structure by grade. There were too many officials of P5 grade and over. The Office should decrease these posts and increase the number of P4 and under, as well as move positions from headquarters to the field. Such a review of the post structure would lead to a reduction of the total personnel cost and simplification of the Organization. It was essential to draw up a more effective strategic budget to link it with a strategy for human resource management and he asked for a response to his proposal. He pointed out that the size of the whole budget had been expanded by 4.3 per cent by the utilization of the cash surplus. He emphasized that Japan's financial situation was extremely bad and imagined that many countries were in similar situations. Given that member States were obliged to pay assessed contributions in spite of financial hardships, the Programme and Budget for 2004-05 should be reviewed further from the point of cost savings.
- 25.** The representative of the Government of New Zealand, speaking on behalf of the New Zealand and Australian Governments, requested a clear indication of how efficiencies as

opposed to simple cost reductions had been made. In the absence of this, they could not support an increase in the budget. She saw two areas where efficiencies could be made: firstly, while supporting permanent increase in regional capacity, she thought it was critical that the infrastructure, procedures and controls in regional and subregional offices should be robust. Their activity must also correctly target the needs of recipient States. Unless the system, process and structures were effective, additional resources would not achieve results. Secondly, she noted that staff costs accounted for 70 per cent of the budget. Ensuring clear performance-based remuneration and classification was critical. This in turn would achieve optimal value for money. The two countries also saw areas for a redirection of investment into programmes such as the Young Professional Career and Entrance Programme that was so critical to ensuring the future of the ILO. Employment was the fundamental basis of the Decent Work Agenda and required further attention and resources. The two countries were extremely concerned by the proposed cuts to the Employment Sector budget and could not support them without further information. She asked why the proportion of the reduction was so high and if these cuts compromised results or the rate of progress. Finally, she stressed the importance of evaluation and supporting strategic programme and budget decision-making for core budget and special funds.

26. The representative of the Government of the United States first called for a return to preliminary consultations in preparations of the programme and budget. There appeared to be a shift in emphasis in the document to the ILO's role in fighting poverty as a response to various UN summits and conferences. Care had to be taken not to suggest in any way that the ILO's mandate stemmed from anything other than its Constitution and the Declaration of Philadelphia. It was appreciated that the Office had continued the practice begun in the last biennium of reflecting extra-budgetary technical cooperation funds alongside the regular budget monies to give as complete a picture as possible of expected expenditures and the distribution of the 2000-01 surplus funds and the additional extra-budgetary proposals for which funding was desirable but not yet available. The United States delegation supported the proposed increase in resources for the strategic objectives and an increase for technical capacity in the regions to improve services to constituents. Further information was required on how the proposed \$6.8 million increase would be used to build capacity in the field and how, if at all, the development of country programmes would differ from past practice. Further clarification was also requested regarding the respective roles of, and interrelationships among, the various field offices, and between headquarters and field offices, including information on how the technical teams fitted into the field structure as presented in the programme and budget. In addition there appeared to be discrepancies regarding the role of the Regional Office in Bangkok. Overall she was pleased to see that the ILO had made some tough choices in reallocating and prioritizing resources in order to accommodate necessary cost increases. She strongly supported the planned efficiency drive to further identify additional possible cost savings, together with higher quality services. To this end, she fully supported reducing by one-fourth the number and length of documents prepared for the Governing Body and would like to see this target included in the budget. The Governing Body must also make better use of its time, and the other Committee meetings should be shortened. Finally, with regard to the proposed overall budget level, the United States continued to advocate strongly budget discipline, accountability, efficiency and prioritization in the financial resources of international organizations. The United States did not support the proposed increases to the ordinary budget of 3.2 per cent to account for salary increases and other inflationary costs. Any such increases should be absorbed within existing regular budget resources. The United States therefore supported a zero nominal growth budget level of \$434 million.
27. The representative of the Government of China supported the position of the Republic of Korea. The Chinese Government also supported zero real growth, which was called for by the constituents. To contain costs, the ILO could reduce the number of meetings and the

quantity of documents. Regarding the regional priorities, China was in agreement with the views expressed in paragraphs 40 and 43. She was happy that the programme and budget had found a strategic starting point in answering the challenges posed by globalization. It was important to achieve the objectives of decent work to reduce poverty and to increase effectiveness.

28. The representative of the Government of Indonesia welcomed the focus on regional needs but stated that ILO offices in the regions, subregions and countries should have greater autonomy in managing their own budget in order to respond to the demands of the region as well as the countries, in particular for job creation and decent work.
29. The representative of the Government of India thought the budget document was not merely a framework but a tool for growth. He was glad to see an increased allocation in all four strategic objectives, but observed that the proposed increase in extra-budgetary resources for the standards and fundamental principles and rights at work was fairly high, 43.6 per cent of the total extra-budgetary support. This important and sensitive issue should, to the extent possible, always be made from the regular budget. The ILO should continue to stress that the Declaration and its follow-up should not be used for protectionist purposes and there should be cooperation with national governments with a view to identifying obstacles to the implementation of the Declaration. He fully supported the emphasis on employment. The ILO alone could not address all the problems relating to employment generation and therefore better cooperation among the nations, the multilateral agencies, both under the United Nations system and the Bretton Woods institutions was required. He always welcomed any proposal that laid emphasis on knowledge, skill and employability. The informal sector was an integral part of the urban economy of many countries and its enormous potential for job creation was well understood. More efforts were therefore needed in this field so that the large unrecognized workforce could secure better working conditions. SMEs all over the world had the potential and were generating opportunities for gainful employment.
30. The representative of the Government of Canada welcomed the inclusion in one document of all sources of funding and the linking of all expenditure against overall priority objectives. He was disappointed about the lack of more clearly measurable outputs that would give a clear indication and understanding of the precise costs involved to achieve these objectives. Canada was of the view that no programme activity should be exempt from a process of examination or evaluation, including that of outside experts to ensure maximum value for cost. The Canadian government policy across the United Nations system remained that of seeking to maintain a zero nominal growth approach. However, there was an addition in this biennium of significant exceptional programme resources as a consequence of the decision to retain a 2001 surplus, of which some \$28 million had been authorized for expenditure in the 2004-05 biennium, as well as the increased forecast in non-assessed budgetary or voluntary contributions of some \$11 million in 2004-05. The result was that for 2004-05 the Organization would enjoy a substantial overall increase in financial resources of some \$39 million providing a total combined budget of some \$473 million. He also noted that for the biennium the base regular budget was one that already included a 1.5 per cent increase to cover such cost increases agreed to two years ago. In this respect there was sufficient scope to accommodate the cost increases outlined by achieving further efficiencies in ensuring that overall programme delivery was as cost-effective as possible. The transfer of resources and responsibilities from headquarters to the regions should provide a further opportunity in this regard. In addition, with some 70 per cent of the regular assessed budget devoted to human resource expenditures, it was clear that this was an important area in which to ensure the utmost cost-effective operation, thereby achieving not only greater efficiencies but also cost savings.

- 31.** The representative of the Government of Kenya welcomed the fact that the current proposals were putting the Decent Work Agenda into practice with an increase in budget of \$2 million. He also noted with appreciation that more resources were allocated to the regions. He urged the Office to continue to provide advisory services to member States that had not yet ratified all the core labour standards. Kenya supported the view that employment promotion was the central objective of the ILO and also agreed that the Global Employment Agenda should continue to be an integral part of the Decent Work Agenda. The promotion of rights-based decent work as a productive factor should also continue to be central to this Agenda. During the biennium priority should be given to youth employment, training policies and small enterprise development and substantial surplus funding should be earmarked for work in the regions on employment training, small enterprises and poverty alleviation. The ILO should also intensify efforts to assist member States to implement the Global Employment Agenda through new approaches that places employment at the centre of economic and social policies. He noted with appreciation that the surplus would be used to strengthen the capacity of the constituents to deal with social security issues to improve working conditions and occupational safety and health in specific industries and sectors and to address the challenge of HIV/AIDS in the workplace. Kenya welcomed the fact that the issue of HIV/AIDS was addressed in all major ILO programmes, thereby making it possible to adopt an integrated approach when dealing with its social and labour consequences. The report revealed the need to do more to help Africa to realize NEPAD. He emphasized that the Jobs for Africa programme should be allocated adequate funds under the regular budget in order to allow for proper implementation.
- 32.** The representative of the Government of Saudi Arabia hoped that contributions would be paid on time. He supported the proposals concerning support to the regional offices. His delegation at the last session had asked that a larger number of documents be provided in the Arabic language, in particular for the Governing Body and the ILC, because of the large number of participants from Arabic-speaking countries, some 14 of such members. This request was supported by the Workers and he reiterated the request that the number of documents translated into Arabic be increased and that this request be taken into account when the budget was finalized.
- 33.** The representative of the Government of Italy welcomed transfers of resources to the regions. He wanted to see a plan presented to the next Governing Body, which guaranteed that these transfers had had a positive effect in improving the capacity to meet the strategic goals. He shared the concern expressed by Norway concerning the reduced attention being paid to gender equality. The increase of allocations to the Turin Centre was proof of greater integration into the strategic work of the ILO. Italy's constant aim had been to guarantee a zero real growth budget for the Office, because zero nominal growth considerably reduced resources to meet ever-growing demands. However, he saw the possibility to improve management efficiency and invited the Office to study all possible ways of reducing administrative costs.
- 34.** The representative of the Government of the United Kingdom welcomed the improved focus on outcomes in many indicators and the emphasis on the ILO contribution to PRSP processes. Quoting "if donors can be found" from paragraph 109, she requested more information on this issue. She had general concern about the balance between regular and extra-budgetary funding for some activities and some strategic objectives. She was of the opinion that areas which were successful at attracting extra-budgetary funding might be those where the regular budget could be reduced and perhaps reallocated elsewhere. At the same time those areas which were less successful should perhaps analyse why and what they could do to attract more funding, learning from those that were successful. She reiterated support for the transfer of resources to the regions but sought reassurance that the distribution of the transfer reflected the balance of the overall strategic priorities and

budget. She added a particular plea that within the regions employment experts be included in all the technical teams and that priority be given to filling those posts. She sought greater evidence of integration on regional and country-level work and strategic objectives. Delivery was ultimately at country level and there was a need to see a structure in place which ensured proper in-country planning in coordination. She hoped that the proposed improvements to IT systems would allow for more effective planning at country level and better information on delivery. She found it difficult to get a sense from the document and from the implementation reports of the impact of activities under one strategic objective on the others and on the overall goal of decent work. She found one of the comments from the Employers' group alarming, i.e. that standards were set "for the use of governments" and that the ILO should not be promoting standards in enterprises. Whilst she fully accepted that governments had a major responsibility to ensure that ratified Conventions were incorporated into national law and practice and applied at national level, she noted that standards were set by and for all ILO constituents and the Office should promote those standards with all constituents.

35. The representative of the Government of Argentina, speaking on behalf of the Latin America and Caribbean group, took note of the fact that the budget included a cost increase of 3.2 per cent for the biennium. He noted that an important part of this increase corresponded to decisions made by the United Nations General Assembly regarding salaries over which the ILO had no control whatsoever. He pointed out that as a general policy GRULAC governments advocated zero nominal growth in the ILO's budget and those throughout the United Nations system. Cost increases, where they existed, should be absorbed through a more efficient use of available resources. Secondly, the budgetary increases were reflected in the contributions. Most GRULAC countries were experiencing severe economic difficulties, which would impact on their ability to meet contributions. Exchange rates were an additional cause for concern. GRULAC expressed preference for a budget with a zero nominal growth.
36. The representative of the Government of Brazil was not convinced by the explanations to justify the increase of 3.2 per cent for this biennium. The ILO had pointed out that 1.3 per cent of this increase was a consequence of decisions adopted by the United Nations General Assembly and by the CAPI in 2002. These increases covered the previous biennium and in some way could have been covered by the increased budget in the previous biennium. The 1.9 per cent which remained would cover unexplained future increases. He was convinced that the cost increases could be absorbed by better use of resources. He could not support a zero real budget, which increased his country's contributions in a time of economic downturn.
37. The representative of the Government of Nigeria agreed with the main thrust of the budget document, especially the zero growth basis. However, he asked if the demands of the expanding roles of the ILO in the various regions could be met. He noted that the Jobs for Africa programme was being funded from extra-budgetary sources and wondered what would happen in the future to such an important programme. Indeed, given the HIV/AIDS problem, he wondered what the whole idea of a Decent Work Agenda would be in Africa. He asked for the programme to be raised to the status of an InFocus programme.
38. The representative of the Government of Mexico supported the proposal to reduce by a fourth the number and length of documents submitted to the Governing Body. He asked for a table of achievement indicators in the document and the targets proposed for each operational strategy. He asked that budgetary resources be redistributed from Strategic Objectives Nos. 1 and 4 to Strategic Objective No. 3. He also asked for a table showing the amounts proposed from the different sources of finance for each objective. In this way, the total resources used for each strategic objective could be shown as well as its priority in the

activities of the Organization. Mexico could not give support to zero real growth because of its difficult financial and economic situation.

39. The representative of the Government of France congratulated the Director-General and the Office on the programme and budget proposals, which marked a new phase in the implementation of strategic budgeting. There were many challenges facing the ILO and they touched on very diverse areas; strategic budgeting alone would not be enough to meet them, and the ILO must be given the necessary funds. For this reason the Government of France subscribed to a zero real growth budget. Indeed, zero nominal growth would not allow the ILO to discharge its mission; besides, it affected the running of the Organization adversely by favouring recourse to extra-budgetary contributions. According to the projections the latter would amount to half of the regular budget, thus jeopardizing the decisions and choices made by the executive bodies. This trend, which was perilous for the ILO, was common to the entire United Nations system and was difficult to check, even with changes in allocations, which in the end would have no effect on the imbalance between compulsory and voluntary contributions. Noting that it was not possible to economize indefinitely on support services, he stressed that it was imperative not to make further cuts in the translation and interpreting services. He further asked the Office to submit a paper to the Governing Body on extra-budgetary resources so that a strategy could be developed before the consultations for the preparation of the 2006-07 budget. The Government of France supported the distinction drawn in the programme and budget proposals between regular budget resources, the 2000-01 surplus and extra-budgetary resources. However, it would also have liked to see information on the distribution of the surplus between headquarters expenditure and country expenditure, and it reiterated its request for technical cooperation to target the least developed countries first. Finally, the part of the document relating to support services lacked detail and the relevant indicators should have been refined.
40. Mr. Botha, like the Workers' group, was disappointed with respect to the zero real growth budget and was extremely concerned about the ability of the ILO to fulfil its commitments. With regard to tripartism, the Employers were concerned with respect to representation by civil society. In response to the United Kingdom spokesperson, the Employers supported the value of Conventions, Recommendations and other international instruments and were not opposed to companies deciding to apply their principles. But he stood by the view that they were not designed for implementation by companies but by governments. Employers were opposed to any attempts by the ILO to persuade, possibly even coerce, companies to apply these instruments or to be measured or sanctioned.

Detailed discussion

Strategic Objective No. 1

41. Mr. Blondel said he had the feeling that the ILO now saw itself as the depositary of a definitive set of standards requiring no new additions, but the Workers' group would like it to have a more open vision of the future and to realize that some standards might become outdated and new ones might be needed because the world of work was constantly evolving. It was also necessary to ensure that all workers were informed of the standards, to know exactly which languages they had been translated into and be aware of any significant gaps in this area that needed remedying. The Director-General rightly recalled in paragraph 127 of the document that the ILO's unchallenged advantage among other international institutions was precisely its global standard-setting function in the world of work. That assertion must be reflected in practice. Child labour was the operational objective that took the lion's share of the resources allocated to Strategic Objective No. 1, and received 83 per cent of extra-budgetary resources. That could be welcomed, whilst

regretting that the other operational objectives, particularly standards and normative action, did not enjoy a comparable level of funding. It was to be regretted that freedom of association, collective bargaining and forced labour were not listed among the priorities under Strategic Objective No. 1. The Committee on Freedom of Association was receiving an increasing number of complaints alleging freedom of association violations. Although these infringements of trade union rights could be seen as a sign that trade unions were being created, since violations occurred only where they existed, the increasing number of such violations proved that freedom of association was often undermined. The governments of countries whose national legislation did not conform to the principles of freedom of association therefore had to be encouraged to take steps to amend the legislation. He lamented the absence of specific measures to promote the ratification and application of Conventions other than the fundamental ones. It was regrettable that, in order to be able to apply its decisions and keep standards relevant, the LILS Working Party on Policy regarding the Revision of Standards had itself had to deal with a ratification problem. An indicator on the number of governments that consulted employers' and workers' organizations as part of the regular supervision system would have been useful. Indeed, the Workers had noted with regret that even in countries which in theory respected freedom of association, it was not always certain that such organizations were consulted. The targets indicated were not very precise and were sometimes a little too modest considering the importance of fundamental principles and rights at work. Finally, he wished that the international financial institutions would take into account the concerns of the ILO and its constituents, and more particularly the concerns of the workers in the context of developments such as the Poverty Reduction Strategy Papers. At present the ILO and the International Monetary Fund (IMF) had policies that were diametrically opposed, the ILO advising governments to invest in education, and the IMF advising them to cut public spending. In many cases the trade unions were not consulted. Yet workers wanted to make their concerns known and to encourage consultation of the social partners.

42. Mr. Botha asked, with the spreading of funds available across headquarters and the regions and also the movement of people from headquarters to local offices, who was actually primarily responsible and accountable for the achievement of the strategic objectives. He noted with concern that indicators and particularly targets were often the same or set even lower challenges than in the past without adequate explanation. He wanted indicators and targets to show more of what the ILO itself did. Regarding the numerous proposals made for potential use of extra-budgetary funds, he asked if these proposals had been subjected to cost-benefit analysis or were they "like-to-haves" if the funding becomes available. He considered that feasibility studies should have been done on each of these proposals, some of which seemed to have unlikely application. He asked if the funds shown in box 5 had been committed by the donors.
43. The Employers had often pointed to the confusion between principles and standards and the rights-based approach which is too restrictive and brings problems. The text still contained some of these confusions. The Employers thought that the Office should implement principles and rights at work through means other than standards, such as policy advice or technical assistance. Principles were sometimes wider than Conventions. In paragraph 131, he asked if there were not increased demands on the same resources rather than less resources. With regard to the Asian Development Bank, the Employers did not support a link between commissioning of procurement and international labour standards. This would make it harder for developing countries to receive bank lending and burden them with commitments to ratify Conventions which they had no ability or intention to implement and enforce. The ILO should not call for labour standards conditionality in development bank and unilateral development assistance. Paragraph 137 stated that the Office would support tripartite constituents by providing, inter alia, reliable information that demonstrated the economic and social effects of respecting fundamental principles and rights at work in different contexts. He wanted to know if this was a

programme or just a statement. On the first operational objective 1a, the Employers wanted the targets to go further than mere ratification. Implementation and application were as important as ratification. The target to the indicator 1a.3 should be increased by 30 member States. In paragraph 146, more information on the programme in public institutions and institutions of higher education was required, in order to know if constituents were involved. In paragraph 147, he had concerns about the mix between freedom of association, collective bargaining and poverty reduction. Poverty reduction is an objective at governmental level. He stated that any work with enterprises must be coordinated with national employers' organizations and should be done through the Global Compact. On operational objective 1b on child labour, there was a concern that the statement was not an improvement on the old formulation, which was to put the elimination of the worst forms of child labour first. Indicator 1b.1 talked about the ratification of Convention No. 138 without reference to Convention No. 182. Regarding the provision of advice and the facilitation of sectoral and thematic partnerships, especially those of the private sector, with trade unions and other organizations combating child labour, he was rather surprised to see that employers' organizations were not mentioned. Referring to paragraph 154, he wanted to avoid a kind of jurisprudence of the Committee on Freedom of Association through a database. It was the Employers' view that many complaints should be dealt with under criminal law. Regarding paragraph 151, he was interested to know how the links between child labour and the large informal economy in Asia and the Pacific would be achieved. On operational objective 1c, he preferred not to have a restrictive rights-based approach. On new indicator 1c.4, he wanted to know the current situation of the first target: visits per month to the ILS database. In paragraph 160, he asked who were the relevant partners in civil society. Regarding the implementation follow-up of standards, he stressed the problem of freedom of association in Venezuela and he wanted far more importance to be attached to on-the-spot monitoring to avoid such problems. As far as the Americas' regional priorities were concerned, the Employers felt that they were remote from the problems on the ground. The Employers had a great concern about the ratification and implementation of Conventions, and it was quite clear that in some instances States could not implement Conventions for a whole range of reasons. The question was: should they ratify if they could not implement? He noted that removal from work was not sufficient in the situation of child labour. The integrated approach was almost absent from the report. He was also concerned that the Conference discussions on occupational safety and health and on migrant workers were likely to have consequences for the programme and budget and did not seem to have been taken into account.

44. The representative of the Government of South Africa, speaking on behalf of the Africa group, referring to the Declaration, noted that the budgetary allocation in table 5 gave the impression that there was only one important fundamental principle: the elimination of child labour. A balance needed to be struck in ensuring that all fundamental Conventions were promoted effectively. She believed that more needed to be done in shifting the focus from ratification to the post-ratification process. The priorities for Africa shown on page 28 should be re-crafted in order to avoid the interpretation that African regional agreements would also include a social clause. There was a need to clarify the supervisory mechanisms and the follow-up to the Declaration, especially in relating to the efforts of the InFocus programmes in Africa.
45. The representative of the Government of Germany commented that Germany wanted the resources available for the ILO to be used for other fundamental rights and not only for child labour. He found no mention of the child labour experts deployed to the regions. Regarding standards, he noted that in paragraph 11, Annex 1, this area was to have a minimum increase of 0.6 per cent to deal with freedom of association, in particular. He wanted to know if there were any statistical studies on the question of how and in how many cases the Committee of Experts could process a report a year after receiving them.

46. The representative of the Government of Kenya stated that in order to achieve the intended objective of achieving decent work, it would be necessary to ensure that standards were ratified and applied by the member States. He asked for efforts to be directed towards the promotion of ratification and application of all international labour standards, including the eight internationally recognized core labour standards. Kenya welcomed the increase in resources to strengthen the development of integrated approaches to standard setting and promotion, and improving the capacity of member States to give effect to standards. However, the report was not clear on the role to be played by the various technical teams in Africa towards the implementation of standards.
47. The representative of the Government of the United Kingdom made a point on paragraph 127 to the effect that there needed to be reference within the outcomes of international events to the whole agenda of decent work, including all the strategic objectives of the ILO. She shared the concerns about the balance of expenditure on standards. There was a real danger that three of the standards in the Declaration were becoming increasingly poor relations of the fourth: child labour. She welcomed information on efforts to attract extra-budgetary funding for other standards, fundamental or otherwise. On objective 1b.4, she thought more development was required. The second element of the objective talked about measuring the indirect impact of initiatives executed by other agencies and this was a step too far. Perhaps, she said, it should be about measuring those who directly benefited from the work of other agencies which, in themselves, had been influenced by the advocacy and work of the ILO.
48. The representative of the Government of the United States continued to strongly support the ILO's critical work in the area of promoting and realizing fundamental principles and rights at work and shared the concern that most of the indicators for this strategic objective actually measured actions of member States. She suggested that as a minimum the previous biennium's indicators of reports processed by the Committee of Experts and complaints examined by the Committee on Freedom of Association be retained, because they were concrete and helpful. In addition, the idea of a database on freedom of association, referred to in paragraph 154, was of interest and she sought further information on what was contemplated.
49. The representative of the Government of Malawi was of the view that, when standards were ratified by member States, it was equally important for the Office to seriously consider assisting them concurrently and substantially to effectively implement the Conventions and Recommendations, within the context of the Decent Work Agenda. This required effective linkages between the member States and the ILO's advisory machinery.
50. Mr. Blondel, speaking on behalf of the Worker members, returned to his previous comment to the effect that the wording of the proposals appeared to allow no room for the framing of any new standards. To support his point he specified that while the proposals for 2002-03 allowed for "new standards to be set", the relevant operational objective had been redefined in the current proposals and the reference to new standards removed. He stressed the need to keep standards relevant by developing new ones and denouncing those that were outdated. He reaffirmed the importance of ratification in the case of amendments to the Constitution. The Worker members sought a reply on this point.
51. The representative of the Director-General (Mr. Tapiola) explained that when new standards were developed, the process was determined by the Governing Body and by the Conference, and the resources normally were not in the Standards and Fundamental Principles and Rights at Work Sector but in the sector directly concerned. There were 71 Conventions which were up to date. What was required in the future would be discussed in the Conference on the basis of an integrated approach which was first being applied to occupational safety and health this year. In the general discussion, one of the elements

would be of four Conventions as well as six Recommendations which had been determined as being up to date. There will also be follow-up on decisions to revise maritime Conventions. Three Conventions relevant to the fishing sector would be considered in the coming biennium in the context of the preparations of a comprehensive instrument. Other proposals were on the drawing board and they could be consulted in the Governing Body document on the possible items for the agenda for 2005. A guide on international labour standards was being developed, which would include information on the results of the work of the Working Party on Policy regarding the Revision of Standards and the decisions of the Governing Body, and a summary of the up-to-date standards. A database which contained country profiles specifying the relevant instruments and decisions for each country was being developed. Regarding the constitutional amendment for abrogation of obsolete Conventions, it had been ratified or accepted by 75 member States, including six States of chief industrial importance, China, France, India, Italy, Japan and the United Kingdom. It would enter into force when ratified or accepted by another 42 member States. As part of the efforts to promote this constitutional amendment, the Director-General had drawn attention to this amendment in a letter which was sent last August to all member States which had not yet ratified or accepted it. Regarding Mr. Blondel's question on target 1a.2, the number of countries subject to annual reporting was 90. Mr. Botha had requested to increase the target in 1a.3 to 30 member States. This would require large additional regular or extra-budgetary funds, and a higher target than 20 could thus hardly be envisaged. A promotional campaign for some 20 essential Conventions had been discussed but this might be something that would best emanate later on from discussions in the LILS Committee on promotional activities. Regarding extra-budgetary boxes, the amounts were not yet financed. On the question from Mr. Botha about 1b.1, the assumption was that by the end of this biennium there would be universal ratification of Convention No. 182. In 1b.3, the Office was talking about 40 States for an approach on time-bound programmes. Indicator 1b.1 was a ratification target on child labour, whereas 1b.3 was an implementation target. Implementation was a serious issue that had to be addressed. The Office had tried to measure action taken by States and constituents in cooperation with the ILO. References to freedom of association and collective bargaining could be found in several places, such as the box on page 34 in the English-language version. Collective bargaining and forced labour were mentioned in paragraph 144, among others. Answering the question of how executive directors and regional directors coordinated, he explained that the Office did as much joint planning as possible and carried out joint ventures. Referring to the mention of "conditionality", Mr. Tapiola stressed that the ILO does not call for conditionality in development bank lending and there was no such element in the cooperation that the Office had with international financial institutions. Regarding Mr. Willers' question about child labour specialist posts, five were created in the current biennium but none for Central and Eastern Europe nor Central Asia. If one more were to be created, it would have to be dealt with in the framework of the coming biennium. Of the five posts, two were being created in Asia, two in Africa and one in Latin America. Most Conventions and Recommendations were translated into Russian, German, Arabic and recently Chinese and other languages existed. Regarding paragraph 151, employers' organizations should have been mentioned there as they were mentioned in the box on page 39. As to who were the relevant partners in civil society, in some cases, when normative action was the issue, these were judges, parliamentarians, and so on. As to Mr. Blondel's question about the links between HIV/AIDS and IPEC work, four recent studies were now available on the web site. There were country programmes in most countries affected in eastern and southern Africa, where the HIV/AIDS-child labour link was taken into account and training given to all constituents and other partners in the countries concerned. Norway had asked if there was a Plan B in case donor contributions for IPEC dropped. Plan B was simply to go out and argue for new contributions as important shortfalls could not be compensated from the regular budget. Finally, he could not pretend to Mr. Willers that there was no bottleneck regarding the supervision of child labour Conventions. One did not have to be a genius to realize that the number of new

ratifications of Conventions Nos. 182 and 138 meant that a lot of files had to be processed and a lot of detailed first reports were to be studied. Measures were being taken internally to ensure that the Committee of Experts could be serviced sufficiently well.

Strategic Objective No. 2

- 52.** Mr. Botha referred to comments he had made during the general discussion. He was very concerned to see that the Organization seemed to be doing very little to encourage youth employment outside the Youth Employment Network (YEN) and felt that the ILO should have its own youth employment programme such as the request made by the ICFTU and IOE. He asked for clarification on the plans to effect the Organization's employment-related strategies and to create more and better jobs for disadvantaged women. He questioned the fact that several areas of the Office seemed to be involved with gender issues and wondered if this could not be rationalized. Employment creation was particularly important and should be the first of the operational objectives and not the last.
- 53.** With regard to crisis responses, Mr. Botha asked for some examples of ILO action and the identity of the non-UN actors involved. Referring to one of his earlier questions, he asked how much of the estimated extra-budgetary expenditure for employment had already been committed. The Employers were very concerned to see the continuing decline in the budget for employment and, given the heavy involvement of the field in employment issues, they wanted to know who retained ultimate responsibility for achieving the operational objectives. Finally, two significant proposals of \$25 million for crisis response and \$30 million for three regional ASIST programmes were being put forward. These were substantial amounts and further details about their costs were requested.
- 54.** Mr. Blondel, taking the floor on behalf of the Worker members, endorsed the Office's assistance to constituents in the areas of labour market study and the development of employment promotion strategies; however, it fell to Governments and not to the ILO to define and adopt employment creation policies. In contrast to the industrialized countries, developing countries relied heavily on the ILO's services in this area and indicator 2a.1 (Using employment policy knowledge) seemed particularly low. On a more general note, the Workers believed that the document drew its inspiration from liberal doctrine and failed to question trends such as privatization or the neglect of public services. Yet, the pursuit of full employment included employment in the public service, particularly in education in order to combat youth unemployment in the longer term. The Workers wanted assurance that the studies and research referred to in paragraph 172 of the document were carried out in collaboration with the Institute and the employers' and workers' organizations. It would be useful to have more information on the successful initiatives regarding investment geared to job creation referred to in paragraph 190. The lessons learned from successful experiences ought to be widely disseminated. It was proposed that part of the 2000-01 surplus be used to strengthen the capacity of workers' organizations in Belarus to cope with crisis situations. Stressing that the crisis affecting that country concerned above all the trade unions, he inquired as to the nature of the Office's intervention. The proposed reduction of 5 per cent was particularly serious for small units and the fate of the Multinational Enterprises Programme (MULTI) was a source of concern. In this context, the Workers' group stressed that enterprises must not shirk the commitments made by governments and must implement the standards adopted. Regarding the Jobs for Africa programme, greater priority should be accorded to youth employment, which played a key role in political stability. Lastly, he again regretted that in the French version of the document the expression "droit d'organisation" (right to organize) had been used instead of "liberté syndicale" (freedom of association) and recalled the importance that the Workers attached to protection of freedom of association.

55. The representative of the Government of South Africa explained that globalization and HIV/AIDS posed real problems for the workforce in Africa. There was a clear need for more employment-generating policies and she was therefore disappointed that the Jobs for Africa programme had only been allocated funds from the surplus. She was concerned about the programme's future. The Africa group believed that priority should be given to human resources development and youth employment policies and would welcome the deployment of employment specialists in Africa. It was also regrettable that the budget did not contain details of how the MNE Declaration would be promoted during the coming biennium.
56. The representative of the Government of the United Kingdom also stressed the importance of employment and could not support a reduction in resources. Acknowledging that the Global Employment Agenda had not yet been finalized, she nevertheless felt that the areas of focus selected were rather arbitrary and hoped that these could be amended. The document described achievements made through working with others and she stressed the need for the ILO to demonstrate its ability to deliver or lose credibility with potential partners. National action plans on employment should not be exclusively focused on combating youth unemployment but should be for all, especially those excluded from the workforce. More emphasis should also be given to active labour market policies. On indicator 2c.2, she would welcome the introduction of the concept of sustainability. Finally, she also shared concerns about the Jobs for Africa programme.
57. The representative of the Government of Kenya stressed that the Organization's employment strategies needed, as much as possible, to reflect national and regional differences in the nature of employment. A programme such as Jobs for Africa remained key to achieving economic growth. He acknowledged that all member States should ensure that national government frameworks integrated ILO policy advice on employment and social programmes and that national labour legislation should address challenges faced by the workforce in the informal economy. There was a need to incorporate the Decent Work Agenda within the African Union and NEPAD and to improve access to labour markets for vulnerable groups. He appealed for more money to be spent in the regional offices on employment, training, small enterprises and poverty alleviation. Surplus funds of \$6.3 million had been allocated to this objective but he wondered whether this was sufficient given the targets set. The present budget proposals and associated staffing levels did not seem consistent with the multinational activities currently being undertaken in developing countries. The Jobs for Africa programme was to be funded from extra-budgetary donor funding and this raised questions about the ILO's commitment to the programme. At least 50 per cent of the funding should be sourced from the regular budget.
58. The representative of the Government of the Republic of Korea also regretted the proposed reduction in resources for Strategic Objective No. 2. The cut followed cutbacks in the 2002-03 budget and was hard to accept. Employment creation was the fundamental objective of the Decent Work Agenda. Enhancing skills and employability was also important and he therefore looked forward to seeing further investment in training programmes and more involvement with the Turin Centre.
59. The representative of the Government of Nigeria welcomed the Global Employment Agenda but expressed concern at the fact that the Jobs for Africa programme was being funded from surplus funds. This gave the impression of a one-off project and not a continuing high priority programme. Jobs for Africa had barely started in Nigeria and he appealed for sufficient funding in order to ensure its implementation.
60. The representative of the Government of the United States agreed that the four elements of the Global Employment Agenda seemed to have been chosen arbitrarily. The Governing Body's Employment and Social Policy (ESP) Committee was still actively working on the

Global Employment Agenda and there were still a good number of elements under consideration. She was interested to see that extra resources were proposed for increased mainstreaming of issues into frameworks such as the PRSPs, UNDAF, etc. Given the Organization's lack of success in this area in the past, which did not seem to have been related to financial resources, she wondered how additional monies were expected to increase the ILO's influence in these processes and whether other non-financial actions were being planned.

61. The representative of the Government of Malawi expressed concern that Jobs for Africa had been omitted from the regular budget. In Malawi, the World Employment Programme had had little impact and he believed that Jobs for Africa remained one of the few effective ways of reducing the decent work deficit.
62. The representative of the Government of Lithuania was disappointed to see the reduced resources for the Employment Sector in a second biennium. More attention needed to be paid to creating youth employment and small and medium-sized enterprises.
63. The representative of the Government of Canada shared the concerns with regard to the elements chosen from the Global Employment Agenda but hoped that this choice could be amended during the discussions at the forthcoming ESP Committee. He encouraged the Organization to make more use of modern technology in the delivery of programmes.
64. The representative of the Government of Italy congratulated the Office on the studies and activities it had carried out in order to analyse employment and the labour market and to develop employment promotion strategies. Access to information on work in the formal and informal sectors had to be improved at the national and regional levels. He particularly supported the programmes on skills, knowledge and employability benefiting women, young people and disadvantaged groups.
65. The representative of the Director-General (Mr. Hultin, Executive Director for the Employment Sector), commented that the Sector had established a stand outside the meeting room. The information displayed could possibly answer several of the points raised. He recognized that many concerns centred on Jobs for Africa. About two to three years ago, the Employment Sector had taken a long, hard look at the programme and had decided to decentralize it to the region, a process which was carried out in 2001. The Employment Sector was nevertheless still heavily engaged with the quest to implement the Jobs for Africa programme. It was difficult to say what proportion of the Sector's activities or resources went towards supporting the Jobs for Africa activities (perhaps around 25-30 per cent of the regular budget resources) but everything that the Sector did in support of the Regional Office and the technical teams was geared towards promoting it. On questions raised about the Global Employment Agenda, he said that the elements described were an attempt to reflect the spirit of the Agenda whilst still recognizing that there were decisions to be made the following week which would influence and guide the direction to be taken with the Agenda programme. The Agenda was to be implemented over many years and so a few focus areas had been pinpointed to give an idea of what a two-year budget could realistically attain. Mr. Hultin acknowledged that resources for the Employment Sector had been cut by approximately 4 per cent and yet, given the decentralization of many of the Sector's activities, taken across headquarters and the field, resources for employment had stayed at a constant level. This decentralization represented the biggest challenge for the Sector as it necessitated the development of a more intelligent and mutually supportive way of working between the Office and the regions. With regard to youth employment, the ILO had begun three years ago to promote youth employment and, in so doing, had brought the issue to the forefront of the United Nations, culminating in the YEN. The secretariat for the Network was housed within the Employment Sector and the Sector continued to carry out research and analysis and youth employment

production activities as its contribution to the YEN. The real challenge was applying what had been learned through activities at country level. The Employment Sector regarded the whole body of international labour standards as a platform for all its activities. In this context, the Sector would continue to engage the tripartite partners in the development and implementation of employment programmes. A further question had been raised about the identity of non-UN or other UN partners. These were very much called upon during periods of crisis in a particular country where reconstruction was necessary and so non-UN partners would be institutions such as the ADB and the World Bank and multilateral and bilateral donors who wished to fund and support reconstruction activity. In answer to a question about paragraph 190 of the document, Mr. Hultin cited, as examples, Nepal, Sri Lanka, Madagascar and Mauritius as countries where there had been successful initiatives of employment promotion by the Sector.

66. The Director-General confirmed that the budget for employment had not been reduced overall. Rather, as Mr. Hultin had explained, resources had been shifted from headquarters to the regions. However, if there were to be technical cooperation projects, this could only be because bilateral donors or other institutions provided the funding. Employment and enterprise creation was not the priority of the donor community and the idea of reducing poverty through employment had gained little support. Instead, donors aimed to provide employment by pursuing sound macroeconomic policies which encouraged investment rather than by following specific employment policies. The Organization's position was somewhat different, maintaining that employment should be an objective, rather than a by-product, of policy. As a consequence, it was difficult to attract donor funds in this area but the ILO was trying to help countries to raise the issue in their dialogue with bilateral donors. This did not require major resources but basic policy advice. Bringing in funding for employment creation would require political change and he urged the Committee members to work together to reinforce tripartism in the negotiations with bilateral donors and multilateral institutions. The Director-General then commented on the various suggestions to amend the budget by shifting resources between areas. Such suggestions would, in fact, be secondary if a zero nominal budget was approved because in that case the proposed budget would have to be cut by \$14 million. The cuts would make it more difficult to effect any of the proposed changes to the distribution of resources.

Strategic Objective No. 3

67. Mr. Blondel said that the Workers' group fully supported the Office's activities in the area of social security and social protection, but wondered why the two items "social security" and "working conditions" had been merged into one, "social protection", in the programme and budget proposals under consideration by the Governing Body. Did the merger reflect a restructuring of the Sector? With regard to indicators 3b.2 and 3b.3, he regretted that ILO standards were not mentioned and asked that references to the ILO's legal instruments be re-established. The Worker members would like the Office to examine the consequences of the changes in the area of social protection and security and to give an account of the successes and failures. The activities relating to HIV/AIDS needed to be strengthened and integrated into the framework of other programmes and projects. It was not a question of doing the work of other bodies fighting HIV/AIDS, but of attacking the problem from the perspective of the world of work; results would come only from joint efforts. Occupational safety and health activities were particularly affected by the cuts but it was to be hoped that the latter would be offset by a transfer of resources, with recruitment, to the regional offices. The Workers would like occupational medicine to form part of occupational safety and health activities. Finally, social security implied the notion of solidarity and he asked the Office to examine the possibility of according mutual schemes, formed at the initiative of trade unions for example, their rightful place in enhancing the coverage of social security.

68. Mr. Botha stressed that priorities for the Employers were HIV/AIDS, the global campaign, and the importance of tripartism, given their interest in social security issues. Supporting Mr. Blondel's comments, he was concerned that the budget document seemed to suggest that HIV/AIDS was to be subordinated into another department. He would prefer to see it playing a powerful and visible role. The Employers were in favour of the global campaign and believed that there should be follow-up in the ESP Committee. Employers reiterated their position that the Global Social Trust Fund should be funded through extra-budgetary funds and that employers' organizations should be involved in proposals for extra-budgetary funds. With regard to occupational health and safety, there was to be an ILC integrated discussion on this and he was concerned that the work proposed in the document seemed to be already predicting what would come out of the discussion. He would prefer to see a focus on research and the preparation of practical tools in the knowledge that there would be follow-up after the Conference. Mr. Botha wondered what was meant by the statement that occupational health and safety guidelines would be used to encourage corporate social responsibility. Employer input into the ILO cooperation with other international and regional safety and health institutions was currently financed separately by the Employers and this was something which the Organization should reconsider. Mr. Botha believed that the ILO should work with employers' organizations when dealing with SMEs and various issues, such as the elimination of silicosis and dealing with psychosocial problems, could be addressed within the same dialogue. The Employers believed that all work in Africa on social security should be done in cooperation with NEPAD.
69. The representative of the Government of South Africa stressed that the Organization should establish an InFocus programme on HIV/AIDS in the workplace along the lines of IPEC. She was concerned about the fact that many programmes were being financed by extra-budgetary funds which were not sustainable. More work needed to be done in areas such as migration, developing health management systems and extending social protection to those previously excluded. She encouraged the ILO to work closely with the global fund in order to ensure that its tripartite constituents achieved direct access to global fund resources at country level.
70. The representative of the Government of the United Kingdom supported the cross-cutting work on HIV/AIDS but stressed that other aspects of occupational health and safety should not be overlooked. She looked forward to the Conference discussion on the integrated approach to occupational safety and health. She supported Mr. Blondel's request for more information on the launch of the global campaign. Referring to objectives 3b and 3b.2, she remarked that there seemed to have been a shift from work and working conditions to terms and conditions of employment and requested some clarification of this change in terminology. Finally, she welcomed work on issues relating to trafficking and hoped that this would be integrated with activities in other sectors, notably those of employment and standards.
71. The representative of the Government of the United States requested information on the ILO's role as envisaged in paragraph 215 which referred to the Organization setting up "a network of collaborative public and private sector agencies to provide actuarial and financial services". She also shared the concerns of the Employers concerning the global social trust and asked for clarification. The proposal seemed to be extending the pilot scheme to other countries though success was not yet established.
72. The representative of the Government of Cameroon endorsed the comments made by the representative of the Government of South Africa; he stressed the seriousness of the HIV/AIDS pandemic in Africa and lamented the low level of resources devoted to the fight against this scourge.

73. The representative of the Government of Kenya raised a question about the use of 2000-01 surplus funds to “strengthen the capacity of constituents’ organizations to deal with social security issues” (paragraph 209). Such financing suggested that the programme would not be sustained in the future. He also urged the Organization to handle HIV/AIDS as an InFocus programme to be financed from the regular budget rather than as a programme supported by surplus funds.
74. The representative of the Director-General (Executive Director of the Social Protection Sector), responding to questions from speakers, explained that “working conditions” had been replaced by “labour protection” and that in indicator 3b.2 (page 73), it was not the intention to omit the reference to standards; maternity and working-time issues were in fact mentioned. Any problem arising from the drafting would be pointed out by the Office. As for social security, an inventory of existing systems would indeed be useful as a means of publicizing the policies which were most consistent with the Organization’s Conventions and Recommendations. The Office was prepared to carry out the work, particularly in Europe. He noted the very great interest shown by many Committee members in HIV/AIDS. Twenty-nine million workers were affected and the programme should be strengthened. The Director-General was stepping up efforts in this area and in May would be signing an agreement with the Director of the Global Fund to Fight AIDS, Tuberculosis and Malaria. He pointed out that there had been no cuts in the budget assigned to the programme. However, demand was so great that it would be wise to secure further extra-budgetary funds. The ILO Programme on HIV/AIDS and the World of Work was currently encouraging preparation of sectoral programmes at national level in cooperation with labour ministries in Africa. In table 7 (page 67 in the English text, page 71 in the French text), like the English version the French should read, in the title, “social protection” and not “social dialogue”, and under the operational objective, “3b. Labour protection” and not “4b. Social protection”. The Office was in fact proposing to restructure the sector and revert to the department that existed previously, with a view to integrating activities, rationalizing resources and making adjustments, in order to cope with the current situation of zero growth coupled with heavy demand. Regarding termination of employment and social security, the Office would willingly address the issue if the Governing Body so decided. In response to the question from the United Kingdom, the wording would be changed to “terms and conditions of work and employment” in indicators 3b and 3b.2. With regard to indicator 3b.3, Mr. Blondel had proposed an addition which reflected greater ambition and took more account of standards. The addition to the end of the first paragraph of the phrase “in accordance with ILO standards on the recruitment and treatment of migrant workers” could be envisaged. On occupational safety and health, he observed that the budget cut was a hard blow. However, the funds withdrawn for the regions would go to strengthening the staff, particularly in the multidisciplinary advisory teams in Brazil, Manila, Beijing and Yaoundé. Moreover, the Director-General had said that there was undoubtedly a causal link between occupational safety and health, decent work and productivity. In view of the importance of setting up mutual health organizations, which were conducive to a social policy of inclusion, the programme was in its second phase and was currently being developed in all parts of the world. He noted the support expressed by the Workers and the Employers for the Global Campaign on Social Security and Coverage for All. A document was available on the subject in the three official languages. The Global Social Trust was a pilot project recommended by the Governing Body and financed solely from extra-budgetary funds. Any extension of that project would be subject to an evaluation of initial results and authorization from the Governing Body. Universal basic pensions were based on good practices noted in South Africa, Botswana and Namibia, and the feasibility of such a project – not as yet devised – would depend on the availability of extra-budgetary resources. He noted that in view of growing life expectancy, the Office was bound to have a policy for the elderly. The subject was under discussion and the conclusions of the Madrid Summit would be drawn on. In answer to a question from the representative of the United States on paragraph 215, he pointed out that,

in view of the shortage of experts in actuarial matters, the aim was to develop an international network in cooperation with public institutions. The Office would of course monitor the quality of the services they provided. He thanked Cameroon for its support and explained to the representative of Kenya that, regarding paragraph 209, the Office would finance only activities that could be continued without funds from the regular budget. In conclusion, he said that the approach to decent work was like a “magic square”, of which Strategic Objective No. 3 was one of the sides. A sound social protection policy was a credible indicator of decent work, the fight against poverty and the cohesion of a sustainable informal economy as a response to the expectations of more than 1.3 billion people the world over.

Strategic Objective No. 4

75. Employers felt that the real foundations of tripartism are based on representativity and that is the basis of their concerns about the organizations being involved in the ILO. Mr. Botha made quotes from the document: “Workers’ education programmes address the issues of representation of workers and enterprises in the informal economy”; the Employers were not quite sure what this meant and were surprised to find that there were enterprises in the informal economy; “policies and programmes focusing on the informal economy facilitates integration with the formal economy, through, inter alia, the promotion of organizations representing workers and enterprises”; the Employers thought that the Office should refer to the Conference resolution on the informal sector for a better wording. The Employers supported social dialogue absolutely, but recalled that it was weak in many countries because of labour law reform, absence of recognition, and lack of freedom of association. Regarding the lack of labour law reform, he thought the Office should, as its absolute priority, focus on the efficiency of social dialogue. The Employers did not really agree on the broadening of social dialogue as in paragraph 237. In paragraph 238 there was a reference to social dialogue indicators and it was important that these were developed together with the social partners. One concern was that ACTRAV and ACT/EMP should be part of all ILO programmes. There should be a debate and a discussion with them to see what the extent of discussion with the constituencies should be. In relation to these points in 4a in the targets in 4a.1 and 4a.2, although the indicators were the same, the targets were different for employers’ and workers’ organizations. He asked why the workers’ organizations were more ambitious. The Employers supported the proposal to have a social dialogue component in each technical cooperation project, but wanted to know how the Office envisaged fulfilling this and how would it be financed. In paragraph 247 in the second line he wanted the word “should” replaced by “will”. In operational objective 4b, the Employers had already expressed concern about sectoral conventions and believed that the ILO should concentrate on truly global standards and truly international standards. Objective 4b.2 could be more ambitious considering its importance. He commented that 4b.5 was a model indicator and deserved congratulation. The sectoral activities programme had received strong support from the social partners and it was difficult to understand why the budget was decreasing again. There were activities being developed and implementation of programmes and the whole review process. He wanted assurance that the budget would suffice to deliver the review process with the funding available. He was concerned about emphasis on social dialogue at the sectoral level. Employers’ organizations concentrated on the type of work that was done in the Office and were involved in labour market issues like collective bargaining and other labour market practices, and would be unhappy with discussions with trade organizations, for example, which were not really expert in this area. There was an implication that there may be sectoral organizations where discussion could take place at a national and international level with international trade organizations and the Employers would not be very happy with that. In many countries trade organizations did not belong to the employers. Social dialogue was through employers’ and workers’ organizations and the group secretariats needed to remain involved in the development of social dialogue through their

constituents. Finally, he requested clarification about the organization of the Maritime Conference in 2005: a clear calendar of all meetings and numbers of participants, as well as the budget, regular, extra-budgetary funds and whether they were approved or not.

- 76.** Mr. Blondel, speaking on behalf of the Workers' group, reaffirmed the importance of social dialogue as an integral part of the Decent Work Agenda. The trade union organizations believed that without freedom of association there could be no social dialogue. Developing social dialogue meant in particular – but not only – ratifying Convention No. 144, and the Workers requested the Office to step up its campaign for the ratification of that Convention and to give full effect to the resolution concerning tripartism and social dialogue adopted by the International Labour Conference in June 2002. Regarding the active involvement of trade unions in the development of Poverty Reduction Strategy Papers, the Workers approved the idea of training their representatives. But it would appear that in several countries the trade unions had not even been consulted on the matter. The Workers saw the notion of poverty reduction as a new formula for simply reverting to the IMF and World Bank approach and as a reaffirmation of the adjustment variable. The Governing Body ought perhaps to envisage a discussion on the substance of the issue, if necessary. Regarding the New Partnership for Africa's Development (NEPAD), the Workers felt that it in fact left trade union organizations out, and they hoped that the Office would bring pressure to bear so as to revive the notion of tripartism, in this context in particular. Enhancing the competence of the trade union movement meant first of all enlarging the movement, expanding its influence and increasing its numbers, as well as enabling new trade unions to be established. However, some apparently wished to see a change in the purpose of unions along the lines of non-governmental organizations. The Workers would not accept a shift of that nature and pointed out that protection of the interests of wage earners was the basic role of unions, even if they had other functions as well. Regretting the absence of any reference to Conventions Nos. 87 and 98, he expressed the conviction that, at a time when society was witnessing constant change, bargaining must be developed to the maximum by trade union organizations, which must be free. He requested the Office to pursue its efforts to strengthen the capacity of labour administrations, which constituted a necessity and required commitment by the State, and to promote for that purpose the ratification and application of Conventions Nos. 81 and 150. He regretted that indicator 4b.5 had been revised and no longer referred to the application of Convention No. 150. Like Mr. Botha, he found on the whole that the targets lacked ambition, particularly the target of three additional ratifications of Convention No. 144. In conclusion, he reasserted the fundamental importance of freedom of association.
- 77.** The representative of the Government of Bahamas noted that the English-speaking Caribbean believed that social dialogue was not only a component of the Decent Work Agenda but also a process for achieving decent work. Strategic Objective No. 4 would make it possible to fully achieve the goals set in Strategic Objectives Nos. 1, 2 and 3. The English-speaking Caribbean had seen the results of Strategic Objective No. 4 when it was actively pursued. Bahamas had been able to sign four protocols to date which in detail spelt out in what direction that country would proceed socially and economically. A strategy being utilized to achieve this goal in the Caribbean was the development of the PROMALCO (Promotion of Management and Labour Cooperation) project. He asked for the zero growth budget practice to be re-examined to avoid project funds being slashed.
- 78.** The representative of the Government of South Africa noted that tripartism and social dialogue were vital in delivering credible policies in African economies. The resolution concerning tripartism and social dialogue had given impetus to this strategic objective. The allocation of resources and indicators should reflect this gain. The ILO should intensify a ratification campaign on Conventions Nos. 144 and 154 including the other related Conventions which sought to strengthen and enhance social dialogue. The Africa group supported indicator 4b.3 on establishing institutions and frameworks for social dialogue.

Labour administrations remained weak in African economies. Indicator 4b.5 which sought to strengthen labour administration was therefore welcome. The ILO was involved in the PRSP process. Social dialogue was critical to this process and she asked that this aspect be covered under strategic objectives as a cross-cutting matter.

- 79.** The representative of the Government of Germany welcomed the creation of the new InFocus Programme on Social Dialogue, Labour Law and Labour Administration. Regarding the question of strengthening labour administrations, it was very important that the labour ministries in the member States who are naturally close allies of the ILO should, with the assistance of the ILO, not only be modernized but should qualitatively improve their services, enhance the capacity of staff through training and upgrading of skills and work more effectively and closer to the population. But resources were being cut both here and in sectoral activities. Ten years ago this programme had a volume of \$14 million or more; it now had barely more than \$8 million. He regretted this.
- 80.** The representative of the Government of Kenya stated that the relevance of social dialogue was increasingly being recognized by the international community as the only way for appropriate responses to the challenges of globalization. He welcomed the decision that all ILO technical cooperation projects would in future be expected to include a social dialogue component.
- 81.** The representative of the Government of Italy too expressed support for strengthening the representation and role of the social partners through full observance of freedom of association and the right to bargain, to enable them to participate better and more in the formulation of social and economic policies, particularly regarding the informal economy. Should the Office have any additional resources, it ought to give priority to effective social dialogue on social protection and working conditions, as well as HIV/AIDS, and to the formulation of employment policies in countries recovering from armed conflict.
- 82.** The representative of the Government of the United States noted with satisfaction the reference in paragraph 240 to the important ongoing work of the Governing Body in reviewing the sectoral activities programme with a view to improving its effectiveness and strongly advocated a shift from a meeting-centred programme to an action-oriented one, otherwise it would be difficult to justify continued expenditure. She recommended changing several of the progress indicators in the social dialogue objective to make them more meaningful. She was unclear as to what was meant in concrete terms in target 2 under indicator 4b.4. Under indicator 4b.6, target 2 might be more appropriate as “ten member States that include the ILO in the PRSP process”.
- 83.** Mr. Botha believed that paragraphs 239 and 264 should be rewritten in the light of what he had already said on sectoral discussions.
- 84.** The representative of the Director-General (Ms. Paxton) responded to the Employers about what impact or advice had been given to government ministries other than the ministry of labour. The ILO interacted with other ministries on, for example, PRSPs such as the ministries of finance and planning. As regards Mr. Blondel’s question on work across the sectors, the Social Dialogue Sector saw it as very important to work across sectors to drive the work of the three other technical sectors and the work in the field. Her department had the advantage of having ACTRAV and ACT/EMP in Sector 4 which worked across the house and were placed in the field. The Social Dialogue Sector worked with DECLARATION, as the work on freedom of association and collective bargaining was at the heart of social dialogue. There was also cooperation both across the field and with a number of other parts of the Office, including with INTEGRATION on work on PRSPs and with the Employment Sector on research regarding employment and social dialogue, on issues of productivity and enterprises. With the Social Protection Sector, there had been

some important work on social dialogue and pensions. SafeWork, HIV/AIDS and Standards (on maritime issues) were units with which there was frequent cooperation. Regarding decent work indicators and social dialogue, a database was being developed, in close cooperation with a number of units in the house, including ACTRAV and ACT/EMP. It was currently in a pilot phase. Convention No. 144 was at the top of the list of important Conventions for universal ratification. There were 108 ratifications and the focus for the Office was now shifting to implementation. Strengthening labour administrations and assisting labour ministers was very much part of the workplan. On PRSPs, it was a fact that the social partners were often not invited to be part of the discussion. The model developed within the Social Dialogue Sector was to try and involve the social partners and to more heavily involve the labour minister. A model had been developed in the United Republic of Tanzania, in which the ILO worked with the trade unions and the employers' organizations to both provide them with technical information about PRSPs and the macroeconomic situation in their country. There was also work with the Labour Ministry. After individual consultations, there was a tripartite consultation, not only with the Labour Ministry, but also with the Minister of Finance and the World Bank. This model had been applied in other countries throughout Africa and Asia. Referring to the comments about sectoral activities and their reform, she pointed out that a review process had been going on for about two years to determine how the needs of sectoral activities could be best met. The level of funding was at 95 per cent of last year's levels. Part of the goal of the reform was to better leverage the work in sectoral activities throughout the house as well as developing programmes which would attract extra-budgetary funds. She had assurances that any savings realized as a result of changes made to the sectoral activities programme would stay there. Regarding maritime meetings, Ms. Paxton said that the Office had borne the cost of two high-level maritime meetings for 12 Governments, 12 Worker and 12 Employer representatives. Participants had borne their own costs to the two meetings of the High-Level Working Group. A third high-level meeting was to be held this June and July, the cost of which was being borne by the Office on the same basis. There was a preparatory technical maritime conference scheduled for September 2004 and the ILC maritime session for 2005 and that would be open to all member States, who would be required to send tripartite delegations. The maritime work was both ground-breaking and monumental. Some 69 Conventions and Recommendations were being consolidated and integrated. The Office had devoted considerable resources to the task and it would continue to provide them to do the job properly. Mr. Botha had raised the issue of whether 4b.2 was not too modest a target in terms of labour law reform. She explained that labour law reform was a very resource-intensive process, often spanning more than one biennium within existing resources. She was fully aware of the distinction between employers' organizations and trade organizations and would continue to work with the employers' organizations. There had been occasions when trade organizations had been part of the work but only upon the invitation of the employers' organization.

- 85.** Mr. Blondel, speaking on behalf of the Workers' group, thanked the representative of the Director-General. While it was true that indicator 4b.5 did set a target of five ratifications of Convention No. 150, he again regretted that the reference to that Convention had been abandoned in the indicator itself. He pointed out that ACTRAV was responsible for representing workers and their concerns on an ongoing basis inside the Organization, so social dialogue was not the only matter on which it must be consulted, since the scope of its mission was much vaster.
- 86.** The representative of the Director-General (Ms. Amadi-Njoku, Regional Director for Africa) said that Africa was constantly advocating the repositioning of employment as the key priority objective for the continent's new generation of development strategies. African constituents had been keenly aware of the absence of employment issues in national development plans and provided an opportunity to build partnerships between headquarters and the region and other developing partners in the field. The Jobs for Africa

programme was the best strategy for fighting poverty, hopelessness and low-income issues. Of the 17 countries that were part of the initial phase of the programme, five performed exceedingly well. They had developed a national programme on employment policy and they had been able to mainstream employment into PRSPs. In some cases budgetary allocation had been provided in their mid-term development frameworks. The tripartite constituents now had to reposition the Jobs for Africa programme as a new vision for jobs in Africa. The ILO participated in NEPAD on two levels in the field: as a tripartite institution; and as a member of the United Nations system. The African Union had asked the ILO to help design a social policy framework to NEPAD. The social partners had been mainstreamed within the NEPAD Steering Committee. Within the United Nations system and under ECA coordination, the ILO was co-chair of a cluster on employment and health. Africa remained the main target for technical cooperation and the Regional Office, along with the social partners in the field, was striving towards the increase of the TC portfolio by aligning what was done on the ground at the national level with PRSP issues and increasing partnership with others, for example the EU at global level and at the regional level.

- 87.** Mr. Botha commented that the Employers' group was unhappy about the priorities laid down for the Americas region.
- 88.** The representative of the Government of South Africa pointed out that promotion of standards could not be carried out in the Arab countries if documents could not be translated into Arabic and that the budget should consider this.
- 89.** The representative of the Director-General (Mr. Nodera, Director for Asia) said that on the issue of the agreement with the Asian Development Bank, there was in fact a specific reference to international labour standards. Mr. Tapiola had been invited last year to attend the seminar organized by ADB to give a lecture and this aspect of international labour standards had already been incorporated in their strategy. On paragraphs 57-58 of the information annex, the Regional Office in Bangkok covered Afghanistan not Pakistan. On Mr. Botha's question on paragraph 151 regarding how the focus between child labour and the informal economy in Asia and the Pacific would be linked, there were many causes of child labour, the most prominent being poverty. In Asia and the Pacific region, the informal economy was predominant in the less developed countries. In India, for example, 90 per cent of the total workforce was in the informal economy, parents often worked with their children. The measures for eliminating child labour were not workable if not supplemented by measures to provide income for the parents. In paragraph 190, on investing in infrastructure to create decent work, one of the most successful cases in this regard was the case of Cambodia, in its national Employment Generation Programme. He explained that the use of the word "enterprises" in this case meant employers in the formal economy. In the case of the informal economy, the enterprise was often one employer and the worker, as agreed and adapted in the conclusion at the informal economy discussion last year.
- 90.** The representative of the Director-General (Mr. Rifai, Director for the Arab States) pointed out that the regional priorities, mainly social dialogue and governance, employment policies, worker protection and post-crisis reconstruction will become even more important in view of the developing situation in the Arab region. Referring to the comments made by Germany regarding working with ministries on building capacities of labour administrations, he believed that this was becoming a very important priority in the region. Youth employment continued to be a very important regional issue. In the HIV/AIDS programme, the Syrian Arab Republic, Jordan and Lebanon had picked up the initiative, mainly through labour unions and employers' organizations.

91. The representative of the Director-General (Mr. Butler, Director for Europe) mentioned that regarding the so-called stability pact countries in south-eastern Europe: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, the Republic of Moldova, Romania and Serbia and Montenegro, the stability pact initiative was under way. The ILO was very active in this and in the social cohesion initiative with two programmes on social dialogue and social protection, and another on labour market policies with particular focus on vocational training under consideration. There was still a high degree of instability in the region.
92. The representative of the Director-General (Mr. Muñoz, Director for the Americas) reported that the overall set of regional priorities and expected outcomes for 2004-05 had been drafted. Great efforts to establish the necessary coordination between the field, headquarters, the Turin Centre and United Nations institutions had been made in order to develop the biennium programme and decent work national programmes. Responding to Mr. Botha's point that emphasis had not been put on governments' guaranteeing respect of standards, he said that this aspect had not been overlooked, and it was hoped that with the measures taken in the area of standard setting it would be possible to ensure that standards were implemented. With regard to the blue table on page 107 in the Spanish version, he agreed with Mr. Botha that "productive employment" should be inserted after "decent work". With regard to the blue pages under Strategic Objective No. 2, these responded to a large number of decent work concerns. An instrument of great importance for analysis of the labour market in the Americas was the effort to construct indicators. This was shown in the annual report, *Annual Panorama* (available in Spanish and English) which was a point of reference for certain United Nations agencies. Social protection was a regional priority closely linked to other institutional objectives. Social dialogue in the Americas was considered to be an integral part of the Decent Work Agenda and a practice to promote and consolidate fundamental rights at work. The need to reaffirm ILO expertise in the area of labour administration was being promoted even more in the region. The representative of the Government of Mexico had referred to a question relating to the activities of the regional specialist in decent work and economic and social integration. The issue had also been taken up by the Fifteenth American Regional Meeting, held recently in Lima, and had been made explicit in conclusion 22 of the Meeting. This related to technical support for regional integration and subregional integration. He noted that the specialist in question had supported the organization of meetings in the Americas relating to the social dimension of globalization, one of which had been chaired by Mr. Abasca. The second question from the representative of the Government of Mexico referred to the consequences of the economic crisis in Latin America and the work of the ILO in the most vulnerable sectors. These specifically related to activities in rural work, the young, women and social protection, the creation of workplaces and the promotion of social dialogue. The representative of the Government of Argentina had expressed his concern for issues relating to economic growth and the need for this subject to be considered. Paragraph 32 of page 3 of the Spanish document reflected clearly this concern for the Americas.

Shared policy objectives

93. Mr. Botha had a concern that this part of the text was quite confused and confusing, and also redundant with some of the previous chapters. It was not always consistent and there did seem to be a great deal of overlapping, particularly with respect to poverty reduction. Part of the difficulty was a lack of clear understanding about the role of the Policy Integration Department, which the Employers thought was going to be a small group that was going to facilitate departments working together. It seemed that it was doing rather more. As regards gender equality, he felt that ratification of ILO Conventions was a poor indicator of whether or not gender equality was being achieved. He asked for information on social gender budgeting, mentioned in the third bullet on page 108. There were concerns about the role of NGOs in this programme and he thought that the resolution

debated at the Conference in June should be applied. The Employers had a problem with the international partnerships objective, partly for the same reasons. Increasing the Policy Integration Department budget by about \$1 million when the money was needed for HIV/AIDS and other priorities ought to be considered. As far as the Department of Communication was concerned, he felt that there should be, in the light of recent experiences, some assessment of what they were doing before increasing the budget. Experience also showed that they were not always good at communicating with the constituents.

94. Mr. Blondel, speaking on behalf of the Workers' group, wondered exactly what the role and size of a body such as "policy integration" should be. If shared policy objectives aimed to avoid partitioning and to encourage programme coordination and stimulation, then the Workers approved them, though they would like to know why so many resources had to be devoted to them and exactly what they were intended for. The Workers further considered that the ILO ought already to have applied integrated social and economic activities to promote decent work, in view of the fact that the idea was not a new one. Besides, they found the targets set to be very modest. It was also the Workers' wish that activities relating to the informal economy be carried out within the framework of the conclusion adopted at the Conference. Turning to export processing zones, he said that the Director-General must undertake to put a small unit to work on the issue, as it would be unwise to rely on extra-budgetary resources alone. The Workers took the view that although export processing zones were doubtless necessary, they nevertheless amounted to an abandonment of social rights. He stressed that contacts with NGOs must be kept strictly within the framework set in the resolution concerning tripartism and social dialogue. Regarding communication and the ILO's visibility, the Workers welcomed paragraph 294 and hoped that through this programme the Organization's nerve centre, namely standards, would become more accessible to the majority.
95. The representative of the Government of Germany commented on communication and visibility. Paragraph 38 of Information annex No. 1 noted that personnel was being increased. Although efforts to make the ILO and its activities better known to a broader public could only be welcomed, it did not make sense to use the financial resources to market a product if at the same time personnel and financial means for the production of that product were not being increased or were being reduced. He mentioned standards-related work, an ILO flagship, and SafeWork, a product really showing what the ILO could do in the world, but receiving less than its marketing.
96. The representative of the Government of United Kingdom had a comment on the indicator on integrated policies i.e. that the target might be rather modest. More importantly she sought some indication of how the ILO would measure the outcome and impact of such discussions. On international partnerships, in paragraph 286, the last bullet point, she strongly endorsed more effective advocacy in the United Nations system. In relation to concerns expressed about the ILO's work with other institutions, she believed it was an opportunity to be outward-looking and to take the tripartite perspective into institutions and organizations where it might otherwise not be represented, thus extending the application of social dialogue and taking the ILO's unique values beyond the house. On communications, paragraph 296, the last bullet point, she welcomed the move to upgrade regional capacity. Active and imaginative efforts by regional or country directors and their officers could have a tremendously positive effect on the visibility and influence of the ILO. More broadly in communications, those international organizations that had successfully carved out an identity in a global context could helpfully be examined. An indication of the costs of development of the new logo and the anticipated future costs of transferring to its use would be appreciated. On the International Institute for Labour Studies, she wondered if the Office could share its views on the potential for the Institute making a greater contribution to the deliberations and work of the Working Party on the

Social Dimension of Globalization. She thought that the informal economy was a very important cross-cutting issue but it was not covered in the shared objectives and there was no mention of dedicated resources set aside for the work, as had been requested by the 2002 ILC resolution on the informal economy.

- 97.** The representative of the Government of France welcomed the fact that the Turin Centre was included among the shared policy objectives. In his view, it was a subject for which there ought to be an indicator and a target. The indicator would aim for closer coordination between the Centre and the Office's training activities, with the Office services making greater use of the Turin Centre for training purposes, as the Director-General had already mentioned. The target could be to assign a percentage of the Organization's training budgets to activities carried out in the Centre. Like many other members of the Committee, he would also appreciate more information on the research and work currently being done by the Office on the informal economy.
- 98.** The representative of the Government of Barbados specifically wanted to address building capacity in the Caribbean through building better linkages with the Turin Centre, and noted the proposal for undertaking capacity-building initiatives in collaboration with the Turin Centre on page 105. The Caribbean welcomed the opportunity to benefit from the extension of the distance-learning programme through linkages with the University of the West Indies. While supporting GRULAC in principle, the Caribbean was concerned that, with no increase in budget, more programmes would have to be cut. She therefore called on member States to support efforts at promoting decent work by giving favourable consideration to the overall 3.2 per cent budgetary increase.
- 99.** The representative of the Government of the United States strongly supported outreach and collaboration with other United Nations organizations and the international financial institutions, but shared concerns about the significant increases attached to that element. She noted that an advanced ILO research capacity and knowledge base would help ensure that the ILO was viewed as an equal partner by these organizations. She continued to support enhanced communication and visibility of the ILO's work and emphasized once again that the quality of that work would speak for itself and go a long way toward helping with outreach to others.
- 100.** The representative of the Government of Canada supported the greater focus on an integrated approach, while not necessarily sharing the view that much additional funding was needed, rather maximum value for resources already devoted towards common strategic objectives. Any efforts, in terms of an overview, by the Policy Integration Department to bring coherence and efficiency to this effort would be appreciated. He also supported the communications strategy and the increased attention to outreach activities through communications, and trusted that strengthening the central communications unit would bring cost savings through a common approach.
- 101.** The representative of the Director-General (Mr. Rodgers) said that Mr. Blondel's characterization of the Policy Integration Department's work was accurate. The point about cost savings, made by Canada, was correct. The Department was trying to achieve a more integrated approach, overcoming fragmentation, taking advantage of mutual reinforcement, building an integrated programme which met the decent work objectives, the Decent Work Agenda as a whole, and in so doing supporting the efforts of the sectors. The technical work was in the sectors; the role of the Policy Integration Department was primarily one of bringing this together, providing a framework, leading in particular areas, providing organization and support and generally providing an instrument for the Senior Management Team which led this Agenda to try and help build the linkages. The Department was working between the field and headquarters in trying to build that integrated response. Regarding the Policy Integration Department's budget, approximately

\$6 million was allocated for the budget of the Bureau of Statistics, which had become part of the Policy Integration Department. The statistical agenda was important because, unless progress towards decent work could be measured, it was difficult to pin down in concrete ways. The Government of the United States had asked for more information during the discussion of the work on indicators as mentioned in the programme implementation report. This work was being carried out and would continue into the next biennium, trying to build a core set of decent work indicators in which all concerns were expressed. A paper had been prepared and a consultative process was under way with the constituents at country and global levels. Some of the ideas were being tried out in a series of pilot studies at country level over the next 18 months to have a first set of conclusions on what could be an agreed set of decent work indicators which the Office could use. This was a rather important part of the agenda in the Policy Integration Department.

- 102.** A second major area was the work at the international policy level mentioned particularly by the Government of the United Kingdom. This work involved taking the ILO agenda to the multilateral scene, supporting the Governing Body Working Party on the Social Dimension of Globalization, supporting the World Commission on the Social Dimension of Globalization, and building the Decent Work Agenda into responses and policy options at the international level. He had noted the comments on indicators that had been suggested in relation to policy papers which were discussed in multilateral forums and acknowledged that an analysis of the true impact would have to be developed to indicate whether the policies of the organizations concerned had changed as a result.
- 103.** The third aspect of the work of the Department was at the country level, where there were a series of decent work programmes under way into the next biennium. These contained both a design phase and an implementation phase. There was a similar effort to support cross-Office work on the PRSPs at the country level. In all of these areas, the Department was working to support a process of communication, interaction and mutual reinforcement between the different sectors of the Office.
- 104.** There was a more specific cross-Organization agenda: common themes and topics which concerned all of the sectors and the constituents, such as the informal economy, where the Department was trying to convert the recommendations of the Conference into a clear set of practical operational activities which could be part of the programme of work in 2004-05. There was a recent workshop in Turin attended by 30 to 40 people from different parts of the Office. A report had been prepared and the Department was now in the process of developing a strategy for follow-up. Mr. Blondel had referred to the question of export processing zones, where the Policy Integration Department had brought different parts of the Office together around a document on export processing zones which could help map out elements for a strategy to address these questions. In the programme proposals for 2004-05, there was also reference to regional integration. This was a major domain – building the ILO's agenda, building the Decent Work Agenda, building the role of the constituents effectively into regional integration. It was a domain to which the Policy Integration Department could provide support.
- 105.** The representative of the Director-General (Ms. Tabatabai), addressing what Mr. Botha said, remarked that the message had been taken to heart. A number of meetings had been held with tripartite constituents to determine the priority issues. In terms of standards and making standards comprehensible to the general public, she was pleased to note that NORMES had taken this initiative with DCOMM. A great deal of importance had been placed on the regions by DCOMM. In terms of the cost of the new logo, she made clear that the ILO had never actually paid separately for the design of a logo. Rather, the logo was included in the design work for the overall corporate look, the total cost of which was \$50,000, including the design guideline manual made available to staff in the field. In

terms of the implementation, directives had been given to all staff that until all supplies were depleted, materials with the new logo were not to be produced.

- 106.** The representative of the Director-General (Mr. Thurman) explained the reasons why the shared policy objectives had been included in the programme and budget proposals. One was that the ILO had a number of activities, for example on gender equality, for which there were no clearly defined performance indicators or targets in the strategic budget. This was an important weakness that the Office had attempted to overcome with the shared policy objectives. Another goal was to permit the programme and budget to identify issues like the informal economy or export processing zones and show what the ILO was doing in a relatively coherent way. Both for the informal economy and for export processing zones, a box had been included to identify the main activities of the Office.
- 107.** However, there were a number of points that needed to be improved. This was the first attempt at indicators and targets in this area, and clearly they needed to become sharper and more precise and the targets needed, based on experience, to become more ambitious. The Office was attempting to increase transparency, but there was a difficulty. If the Office wanted to develop a project, for example on export processing zones or on the informal economy, with a clear objective and measurable indicators, but which required contributions and resources from the different sectors of the Office, from the regions and from extra-budgetary resources, it did not have the financial tools to put that project together in a transparent way. This was the importance of the IRIS project, which would permit the Office to provide more detailed information on cross-cutting projects. Gender-sensitive social budgeting, he explained, identified social impacts of budget decisions separately so that, if there were a differential impact on women, it could be identified and overcome.
- 108.** Mr. Blondel, speaking on behalf of the Workers' group, said that he was afraid that the Committee may have to suspend its work. He had been unable to consult the Workers' group on the subject of shared policy objectives and the discussion was now focusing on important issues such as the Organization's logo, the communication strategy and the possibility of changing standards with a view to disseminating them more widely. His legitimacy as spokesperson would not allow him to comment on those issues without having first consulted his group. He appreciated the resolve to make things clear and reiterated that he was largely in favour of making standards more comprehensible and disseminating them, and of using effective ways of communicating. However, he was unable to give his agreement to any modification of standards, and for the sake of intellectual propriety he reiterated his request for work to be suspended until he had been able to consult his group armed with the information that had now been supplied.
- 109.** The Director-General noted that the Office would in no way change ILO standards in its efforts to communicate them to a broad audience; it was looking at the best way of getting the message over.
- 110.** Mr. Blondel, speaking on behalf of the Workers' group, explained the Workers' position regarding the level of the budget for 2004-05. In view of the wish expressed by members of the Committee, including Governments, to endow the Organization with the means to pursue its mission and to undertake new obligations, the Workers proposed going further than the Director-General's proposals and wondered whether it would be a good idea to have a comparison between the ILO's budget and the budgets of the other United Nations agencies. The Director-General's proposals were modest because they were based on a zero real growth budget as opposed to a zero nominal growth one, i.e. a difference of 3.2 per cent, attributable to inflation among other things. To put it clearly, a zero nominal growth budget would in fact be a negative budget, so it would make no sense to demand more activities from the Office. Appealing to governments, he observed that the priority

given to the world of work and the role and future of the Organization were at stake. The Workers supported the Director-General's proposals and hoped that priority would be given to the world of work.

Governance, support and management

111. Mr. Botha supported Mr. Blondel's appeal to those who were in favour of a zero nominal growth budget. At the outset of the discussions, the Employers had given their support to a zero real growth budget and had since heard a succession of requests for new or additional programmes. Many of these requests had come from governments supporting zero nominal growth and he appealed to them to reconsider. With regard to governance, support and management, Mr. Botha shared Mr. Blondel's feelings about "client satisfaction". Client surveys raised expectations which had then to be met. He was concerned that the Human Resources Strategy would not be fulfilled, particularly within a scenario of zero nominal growth. The Office should ensure that all vacancies were filled, especially in the Arab States region, and he wished to see technical teams equipped with qualified personnel to meet the specific demands of each region. The Employers fully supported the Office's proposal to shorten Governing Body documents but were not in favour of reducing support services such as the translation service. However, translations could be improved, particularly into French and Spanish. Mr. Botha's final point concerned the value of the Joint Inspection Unit and whether it served a useful purpose.
112. Mr. Blondel said that he had been given to understand that the notion of "client" actually referred to "constituents". He preferred "constituents", both as a notion and as a word, since to his mind "client" was not the proper term in this context. He felt that some officials of the Office needed training enabling them better to understand the meaning of tripartism. With regard to the Joint Inspection Unit, referred to by the Employers' spokesperson, the Workers would be grateful if the Office would prepare a paper analysing the functions, purpose and cost of the Unit so that any future decisions by the Governing Body in this area could be taken advisedly.
113. The representative of the Government of the Russian Federation thanked the Office for the improvement in the format of this part of the document which now included indicators and targets for all auxiliary activities. He supported the targets under indicators 3 and 5 but wished to see the inclusion of two further targets. The first should relate to an increase in the share of vacancies filled through completely open competitions (which will lead to a recruitment of the most highly qualified candidates), and the second to reducing the number of under-represented countries in the Office and particularly in high-level posts. The targets for representation of women and timely filling of vacancies were acceptable whilst the target related to grievances should focus on a number of cases won or lost by the Office in the Administrative Tribunal. He could not support a budget increase for human resources without seeing a cost and benefit analysis of the Human Resources Strategy. Finally, he wished to know how much the Organization was spending on contributions to the Association for Human Resources Management in International Organizations.
114. The representative of the Government of the United Kingdom reiterated her concern that the Office implement as soon as possible the External Auditor's recommendations on the Human Resources Strategy. She also repeated her request for a detailed organization chart. Extra-budgetary funding had been mentioned on several occasions and she attributed increasing levels to the success of the Director-General and the Office. She could however understand the concerns for those programmes which were reliant on extra-budgetary finance and urged other donors to make such funds available as her Government did, through a mechanism which allows the ILO to set the priorities. She asked those who suggested that governments should provide more through the regular budget to remember

that the sources of regular budget funds and extra-budgetary finances were frequently different as was the case in the United Kingdom and a reduction in one would not necessarily lead to an increase in the other. She hoped that the improvements made regarding distribution of documents (with the exception of the document currently under review) would continue and extend to ILC documents. The number and volume of documents could be reduced by more ruthless editing and the length and structure of ILO meetings should be reviewed. The proposed increase for subsistence and travel seemed unnecessary and she believed that there was still scope for negotiation to achieve more cost-effective contracts throughout the Organization. She hoped language on financial controls in paragraph 304 would be tightened to reflect that robust controls, and staff management systems, should be a priority for any budget, whatever its level. The Government of the United Kingdom continued to support a zero nominal growth budget.

- 115.** The representative of the Government of the United States said that, with regard to indicator 2 and the target for implementing results-based management in the ILO, she believed that it would be more useful to separate out the targets for each major subsystem. Indicator 4 on savings against benchmarked standards was too general and more details of the savings to be achieved were required. Indicator 6 should include an additional target on improved delivery rates whilst indicator 8 should include the target of reducing documents by 25 per cent. The targets for indicator 10 could also be made more specific.
- 116.** The representative of the Government of Canada commented that he was impressed by the very broad, comprehensive targets set for the area of governance but thought that they might be somewhat optimistic. The targets for indicator 2 should be broken down across specific systems and he was doubtful that IRIS would achieve everything that was promised. Indicator 4 related to the achievement of savings and he wondered if estimates of possible savings were available. Some of the targets seemed rather modest and there was a need for a timeframe for the preparation of policy guidelines for line managers and staff. He fully supported the proposed reduction in documents and encouraged making maximum use of electronic systems. With regard to extending the availability of LABORDOC to external users, he inquired whether charging a modest fee had been considered.
- 117.** The representative of the Government of Barbados gave full support to the targets within indicator 5 on human resources development but commented that no targets had been set with regard to geographical representation. She would welcome information on the criteria applied in the recruitment process other than competence.
- 118.** The representative of the Government of Germany inquired about target (i) of indicator 5 which aimed to fill vacancies within an average period of five months. He wondered when the five months were deemed to begin and the impact of this on the “lapse factor” of savings made when a position was not filled immediately.
- 119.** The representative of the Government of France welcomed the Office’s resolve to rationalize costs. Nevertheless, indicator 1 was ill expressed and the French delegation agreed with the Workers that “client” was not the appropriate term. His delegation endorsed what other speakers had said concerning technical cooperation and the introduction of an implementation rate in indicator 6. Regarding indicator 8, he approved the target for reducing the number of documents but asked for it to be clearly specified that documents were to be provided in the three working languages.
- 120.** The representative of the Government of Cameroon congratulated the Office on its performance, which had enabled the External Auditor’s report to be approved without any reservations. Regarding human resources development (indicator 5), she would like to see target (ii) pertaining to the percentage of qualified women in higher grades to be exceeded.

She supported target (iii) on reducing the number of grievances related to policies, rules and procedures, in order to reduce their cost to the Office. With regard to technical cooperation quality (indicator 6), she echoed the request made by other speakers for an evaluation of project proposals giving precise figures, and recommended making efforts to attract extra-budgetary funds. The delegation of Cameroon had stated that it was in favour of zero real growth to enable the Office to meet the challenges facing it, and to carry out projects concerning Africa, particularly projects related to combating HIV/AIDS.

121. The representative of the Government of India expressed his support for the increase in resources for human resources development.
122. The representative of the Government of the Libyan Arab Jamahiriya requested the production of periodic reports on the implementation of technical cooperation projects. It would be useful to know what the projects were, in which countries they were based and how they developed over time.
123. The representative of the Government of Mali endorsed what the representatives of the Governments of the Libyan Arab Jamahiriya and Cameroon had said concerning human resources development, which meant making the necessary resources available. He thanked all those participating in the current discussion. He was in favour of a zero real growth budget, since the Organization could not be asked to produce results unless it was given the means to do so. He also thanked those countries such as France, the United States and Belgium, which were helping the Government of Mali by means of extra-budgetary financing to implement a whole series of projects, particularly in the framework of the Declaration. In conclusion, he reiterated his support for a zero real growth budget.
124. The representative of the Director-General (Mr. Ng) confirmed that the Human Resources Department was committed to an evaluation and monitoring system. In answer to the question raised about the cost of contributions made to the Association for Human Resources Management in International Organizations, this was \$5,000 per year. Guidelines were already being developed for line managers and Mr. Ng believed that progress would be made over the next few years with regard to recruitment of young professionals. Regarding improving the average time taken for recruitments, Mr. Ng noted that the Programme and Budget proposals for 2004-05 committed his Department to filling advertised positions within an average of five months from the date it received notification of a vacancy. Efforts would continue to improve the gender balance of the Organization's staff but this was a considerable challenge and the target for 2004-05 of having 33 per cent of higher grade positions occupied by women was not as modest as it may seem.
125. The representative of the Director-General (Mr. Thurman) confirmed that a paper on the Joint Inspection Unit would be presented to the Committee in November. In addition, a more detailed organization chart would also be distributed. The comments and suggestions received with respect to indicators and targets were much appreciated. This was the first time that there had been such targets for these programmes and comments would be taken into account, not only at the operational level but also in the report on programme implementation. In response to a question raised by Canada, indicator 4 referred to cost savings already incorporated into the programme and budget. Of these, the two largest examples were \$1.9 million in relations and conferences and \$3.2 million in support services. Having answered various questions in relation to travel costs, Mr. Thurman summarized by stating that travel costs had been reduced by 16 per cent over two biennia. Finally, the "lapse factor" referred to by the representative of the Government of Germany was the "adjustment for staff turnover" found in the proposed strategic budget (table 1) and had not been reduced.

Draft resolution

- 126.** The Chairperson asked the Government members who had not yet indicated their decision with regard to the draft resolution to give their views.
- 127.** Mr. Blondel reiterated, in the interests of coherence and in view of what was asked of the Office, that the Committee must accept the Director-General's programme and budget proposals and not create a budget deficit of 3.2 per cent by reverting to zero nominal growth.
- 128.** A zero real growth budget was supported by the Governments of South Africa (on behalf of the Africa group), Mexico, India, Bahamas (on behalf of the delegation of the Bahamas and Barbados), France, Islamic Republic of Iran, Malawi, Belgium (on behalf of itself, the Netherlands, Portugal and Denmark), China, Jordan, Norway, Bangladesh, Sudan, Italy and the Republic of Korea.
- 129.** The representatives of the Governments of Argentina, the Dominican Republic, Germany and El Salvador, wished to align themselves with whatever consensus emerged with regard to a zero nominal or real growth budget.
- 130.** The representative of the Government of Brazil supported a zero nominal growth budget. He did not wish to block consensus if one emerged but would prefer to defer the decision so that, in light of the debate so far, he could refer back to his Government.
- 131.** The representative of the Government of Pakistan called on fellow member Governments to show flexibility.
- 132.** The representative of the Government of New Zealand believed that further efficiencies were still possible within the Office.
- 133.** The representative of the Government of Japan called for further cost savings and asked for a deferral of the resolution after the response of the Director-General.
- 134.** The representative of the Government of the United States reiterated her support for a zero nominal growth budget and this was supported by the representative of the Government of the Russian Federation.
- 135.** The representative of the Government of Canada confirmed that he would prefer a zero nominal growth budget but that he did not wish to stand in the way of consensus.
- 136.** The representative of the Government of Japan reiterated his conviction that the Organization could make further savings and again asked for a period of time in which to consider the response of the Director-General and the discussions of the Committee.
- 137.** Mr. Blondel thanked all those Governments which had come out in favour of the Director-General's programme and budget proposals, and those which, after expressing reservations and doubts, had undertaken not to obstruct a consensus. As to the proposal from the representative of the Government of Japan to wait a few days for the Director-General to produce new proposals for savings, to his mind it cast doubts on the budget. A consensus was emerging and he appealed to the representative of the Government of Japan to join it. In the view of the Workers, such a consensus would be a good sign to the international community that the world of work was not underestimated.

138. Mr. Botha agreed with the remarks made by Mr. Blondel. He acknowledged that certain Governments had shifted their position which he appreciated. Others had reservations and these should be fully minuted.
139. The representative of the Government of the United Kingdom confirmed that her Government could not join the consensus and wished to reserve its position.
140. The representative of the Government of Japan stressed that cost-saving efforts were very important and asked the Director-General to make a statement on this issue.
141. The representative of the Government of Brazil asked for the decision to be deferred. A similar situation had arisen two years ago when consultations had been undertaken and a revised budget issued a week later. Although a minority was in favour of a zero nominal growth budget, it was, nevertheless, a significant minority.
142. The representative of the Government of Japan stated that, given the emerging consensus, he wished to reserve his position, and that he did not wish to be against deciding today.
143. The representative of the Government of the United States supported those countries who had requested more time in the hope that this would lead to reaching consensus the following week.
144. The Chairperson asked whether the resolution could go forward with the assurance that the reservations of various Governments would be recorded in the minutes.
145. The representative of the Government of the United Kingdom believed that the concerns of several Members were sufficiently strong that, if the resolution went ahead, it would have to be as a majority decision and not as a consensus.
146. The Director-General commented that he could fully understand the positions of certain Governments which wished to adhere to an overall policy in relation to United Nations agencies and their budgets. Similarly, he appreciated that many member States were suffering from serious economic problems. However, a deferral of the decision would make it very difficult for him to reply to the comments on the budget. Members were being asked to approve a recommendation, not the budget itself. The ILO had made savings consistently, achieving a reduction in costs of 16.8 per cent over three budget periods and the search for savings would certainly continue in the course of implementing the budget. Only after reviewing his response and debating the matter in the Programme, Financial and Administrative Committee, would Governments be required to take a final decision. He urged Members to allow the recommendation to go ahead with all reservations mentioned.
147. The representative of the Government of the United States preferred the recommendation to go forward as a consensus decision and felt that if, having been given extra time, other Members would possibly be able to join such a consensus, then it was fair to allow that extra time.
148. The Chairperson announced that he would declare the programme and budget approved by the overwhelming majority of the Committee subject to the reservations of several Members which would then be recorded.
149. Mr. Blondel, speaking on behalf of the Workers' group, said that when a decision was taken by consensus any reservations could be recorded, but that was not the case for decisions taken by a majority.

150. The Chairperson wondered whether rewording would provide a solution and suggested “general agreement to go forward with a programme and budget”. This would avoid having to use the terms “overwhelming majority” or “overwhelming minority”.
151. The representative of the Government of Brazil preferred the Chairperson’s original suggestion of “overwhelming majority allowing those countries (in the minority) to make express reservations”.
152. The representative of the Government of Pakistan wondered whether “explanation of the position” was perhaps an alternative to “reservation”.
153. The representative of the Government of Germany observed that a considerable majority was prepared to support the general framework of the budget but that some Members did have reservations. He suggested that such a degree of support was sufficient for the Director-General to prepare his reply. Having heard his response, the Committee could then establish whether or not there was a consensus.
154. The Chairperson did not believe that this proposal was workable. He asked those Governments in favour of a zero nominal growth budget whether they could join a consensus to approve the resolution with a note being made of their reservations which would be raised again during the Programme, Financial and Administrative Committee.
155. Following a short recess, the Chairperson proposed a resolution using similar text to that used in the previous biennium which, inter alia, would include the words “subject to the positions taken and reservations expressed during the course of the discussion the Committee agrees to recommend to the Governing Body that it adopt the resolution for the Programme and Budget for 2004-05 ...”. There was agreement for a resolution in this form, which would read as follows:

Subject to the positions taken and reservations expressed during the course of the discussion, the Committee agrees to recommend to the Governing Body that it adopt the resolution for the Programme and Budget for 2004-05 as set out below:

- (a) *that the Governing Body recommend to the International Labour Conference at its 91st Session (June 2003) a provisional programme level of \$448,020,730, estimated at the 2002-03 budget exchange rate of 1.77 Swiss francs to the US dollar, the final exchange rate and the corresponding US dollar level of the budget and Swiss franc assessment to be determined by the Conference;*
- (b) *that the Governing Body propose to the Conference at the same session a resolution for the adoption of the programme and budget for the 69th financial period (2004-05) and for the allocation of expenses among member States in that period in the following terms:*

The General Conference of the International Labour Organization, in virtue of the Financial Regulations, adopts for the 69th financial period, ending 31 December 2005, the budget of expenditure for the International Labour Organization amounting to \$..... and the budget of income amounting to \$....., which, at the budget rate of exchange of Swiss francs to the US dollar, amounts to 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.

Resumption of discussion

- 156.** When the Committee reconvened on 20 March, the Director-General gave his reply to the discussions of the previous week concerning the Programme and Budget proposals for 2004-05. The text of the Director-General's reply is reproduced in Appendix II.
- 157.** Mr. Blondel, speaking on behalf of the Workers' group, thanked the Director-General for agreeing to closer involvement of the Committee in the preparation of the programme and budget proposals. He once again stressed the need to limit the repercussions on staff of the planned cuts. In conclusion, he thanked all the governments which, despite financial difficulties, were adamant that the ILO should keep up its level of activity and had supported a zero real growth budget.
- 158.** Mr. Botha noted that the Director-General had attended to virtually all of the Employers' concerns.
- 159.** The representative of the Government of the United Kingdom was also grateful for the Director-General's response and welcomed in particular the greater clarity on the allocation of increased resources to the regions. With regard to the overall budget level, there was disappointment that the Director-General had not gone further towards meeting the genuine concerns of a number of governments, whose contributions to the regular budget exceeded 50 per cent of the total; that despite the fact that willingness had been expressed to work towards a consensus this flexibility had not been reciprocated. She reiterated the belief that the Organization must prioritize rather than raise budget levels. The point where no further efficiency savings were possible had not been reached and it was noted that the Director-General had expressed commitment to continue to look for such savings. The position of the United Kingdom remained that of zero nominal growth. She looked forward to discussing the issue at the ILC, when the bottom-line figures would be available in both US dollars and Swiss francs. She did not believe there was a consensus and preferred the document to proceed to the Governing Body under the same wording as adopted at the previous week's session, drawn from the discussion on the last programme and budget in March 2001.
- 160.** The representative of the Government of the United States thanked the Director-General for his pledge to continue the search for cost savings as well as for his use of the phrase "majority of Governments" in describing support for the proposed budget level. It was unfortunate that genuine consensus could not be found and that so many major donor concerns seemed to draw little apparent re-examination or effort toward compromise. The ILO did not exist in isolation. He regretted that other broader factors had been apparently disregarded.
- 161.** The representative of the Government of Japan appreciated the Director-General's reference to restructuring post grades for further cost savings through the implementation of the budget. As Japan's financial situation was so serious, he had some difficulties accepting the proposed budget level and reserved his position. However, in light of the Director-General's statement, he agreed to proceed with forwarding the document to the Governing Body with the reservation and the wording that the United Kingdom suggested.
- 162.** The representative of the Government of Brazil reiterated that the position of his Government was not to stay in the way of the majority view but he preferred to reserve his position on the question of the overall level of the budget.

- 163.** The representative of the Government of the Russian Federation thanked the Director-General for the readiness to channel additional resources to the regions and to use some of the savings to increase the volume of documents translated into different languages, including Russian. With reference to the overall level of the budget, his Government's position was similar to that of the United Kingdom. He also confirmed that he would wish to see, before the ILC, additional proposals on the redistribution of resources from the auxiliary programmes, including management of human resources to substantive programmes in the regions including the CIS region.
- 164.** The representative of the Government of Canada associated himself with the statement delivered by the United Kingdom.
- 165.** The representative of the Government of Nigeria was particularly gratified to note the intention to make the HIV/AIDS programme an InFocus programme and to allocate more resources to the regions. He reiterated his support for the zero real growth budget.
- 166.** The representative of the Government of New Zealand thanked the Director-General for going some way to address the concerns expressed in the Committee the previous week. However, she was not satisfied that the efficiency and effectiveness threshold required to justify additional resources had been met and asked for her reservations to be registered.
- 167.** The representative of the Government of Germany believed in the principle of zero nominal growth for international organizations but was prepared, given the positions of other groups and regions, to go along with a solution of zero real growth, making it clear, however, that his preparedness did not prejudice the position of his Government's delegates at the ILC in June.
- 168.** Mr. Blondel, speaking on behalf of the Workers' group, thanked the representative of the Government of Germany for his statement. In view of international events it was particularly important to give the Organization the means to accomplish its mission. He again emphasized the need to adopt a zero real growth budget at the very least. In the present international situation, the resolve to defend the world of work should prevail over all other considerations and the Workers were insistent that the Director-General's proposals be approved, if not unanimously, at least by a large majority.
- 169.** The Chairperson announced that the reservations expressed by several Governments would be duly noted in the record. The Office would incorporate the shifts of emphasis requested by the Committee and referred to by the Director-General in his reply during the implementation of the budget. Note was taken of the additional \$500,000 allocated for work on HIV/AIDS within the resources transferred to the regions. He then read the full text of the recommendation to the Governing Body which is contained in paragraph 155 in this report.

Geneva, 24 March 2003.

(Signed) M. Blondel,
Reporter.

Point for decision: Paragraph 155.

Appendix I

The Director-General's introduction to the discussion of the Programme and Budget proposals for 2004-05 and the Implementation Report for 2002

Mr. Chairperson,

This is my third opportunity to submit programme and budget proposals for your consideration. In preparing the proposals for 2004-05, I have kept in mind my early consultations with you in 1998. The priorities you identified, in particular a more strategic focus for the Office and greater impact of the Organization, have continued to guide us in the preparation of this programme and budget.

A great deal has been done with your support and participation to raise the relevance, responsiveness, effectiveness and visibility of the ILO. The proposals for 2004-05 seek to further consolidate this trend, most notably through strengthening our work at regional and country level.

In our contacts with ILO constituents, it has become evident that the Decent Work Agenda approved by you in my first budget proposal is perceived as central to the objective of sustainable economic growth and equitable social development. Under each of the ILO's four strategic objectives, major programmes are making substantial inroads, helping countries set their own priorities and providing practical support. At the same time, the growing demand for our services is straining our capacity to respond.

The relevance of the ILO can also be gauged in the unprecedented surge in ratifications of international labour standards. Today 86 member States have ratified all eight fundamental Conventions and we are innovating in standard setting through the integrated approach, now being developed for occupational safety and health and in the maritime sector.

In other fields, our code of practice on HIV/AIDS and the regional programme promoting social dialogue in 19 francophone countries in Africa, to take just these two examples, are meeting with remarkable success. We are advancing research and analytical development, for example through the development of decent work indicators adaptable to specific regional and national situations. Expertise on employment and enterprise issues is in constant demand from every country. The International Labour Conference results on social security, the informal economy and the Convention on Health and Safety in Agriculture are sound products and have moved the issues further.

Our programme of technical cooperation, in complement to the regular budget, expended US\$108 million in 2002 in direct services to constituents. This represents an increase of 38.5 per cent since 1999.

We have also made particular efforts to make the ILO better linked to evolving events than in the past. For example, we responded immediately to the civil aviation crisis that followed the September 11 tragedy, and followed this with work in the hotel and tourism industry.

Another initiative to enhance the responsiveness of the ILO is the World Commission on the Social Dimension of Globalization. Its broad mandate was discussed from different angles in both Porto Alegre and Davos. Having attended both encounters, I can tell you our initial view that the rules governing globalization need reform is increasingly shared. I am confident ILO values and principles will successfully guide us here as well.

Although we still face many management challenges, you have told us that the ILO is more effective as an organization today. This is confirmed to me when I meet with constituents in your countries. I want to thank you again for your appreciation. Tomorrow you will discuss a report on programme implementation for the year 2002 in which our performance can be assessed in detail. I welcome your comments, which will allow us to consolidate what you feel we are doing well and to address the problems you may identify.

The ILO is working closely with a number of partner organizations, be it the UN Development Group, UNAIDS or the international and regional financial institutions. There is a growing

understanding and support for the ILO's Decent Work Agenda in general, and particularly its contribution to the poverty reduction strategy and achieving the Millennium Development Goals.

But all this comes at a price. A more visible ILO leads to greater demand for our services from the constituents of the 175 member States of our Organization and from the many partner organizations with whom we work on a daily basis. Our capacity to respond to such demand is diverging every day from the means available to us under the regular budget.

Over the last 25 years, the ILO has been living with a budget shrinking by the biennium. During the same period, the ILO's membership has increased by 24 per cent, ratifications of ILO Conventions have increased by 46 per cent, the world's labour force has increased by 45 per cent and per capita GDP in high-income countries has increased by 49 per cent in real terms.

One direct consequence of more demands coupled with less regular budget resources is under-investment in several key areas, such as human resources, capacity and product development and research. In too many areas, we are living on the stock of knowledge and expertise accumulated over the years. The renewal of programmes with fresh ideas and approaches is suffering.

This is a time of rapid change. Our Organization is increasingly relevant and in demand, but at the same time we are working in an increasingly competitive environment that demands cutting edge concepts and the capacity to innovate. We must do better in our knowledge development. We must respond to the challenges of today and of tomorrow with the highest levels of technical service. This requires continuous investment in capacity development. Yet, our human resource policies, which are a basic priority for me, are affected in their reach due to budgetary constraints.

It is in this context that I propose a budget of \$434 million and a cost increase of \$14 million. It is identical in real terms to the 2002-03 programme and budget.

Allow me to underline some of the main features of my proposals.

We have adopted since 2000 a strategic focus for the entire Organization, within a results-based management framework. The Programme and Budget proposals for 2004-05 pursue the orientations of the Strategic Policy Framework for 2002-05. An introduction reviews the main challenges and opportunities confronting the ILO within the context of regional developments and around four topical themes, namely global governance and social justice, national responses to globalization, decent work to eradicate poverty and productive workplaces. These illustrate how decent work and the integration of the four strategic objectives offer relevant policy responses to the highly diversified needs of our constituents.

The programme and budget proposals apply an integrated approach, based on regional priorities and proposals under each of the four strategic objectives.

Standards and fundamental principles and rights at work are pivotal to balanced economic and social development. With a huge jump in the number of ratified Conventions, application, monitoring and our supervisory machinery are increasingly important. Expanding technical cooperation on child labour, the Declaration, forced labour and trafficking, for example, show our growing commitment to practical action on principles and rights at work.

As the recently published Global Employment Trends report suggests, most countries need to make significant improvements in both the quantity and quality of employment. This is particularly the case in the large number of micro, small and medium enterprises in which productivity and job quality need to improve together with skills development and employability.

The extension of social protection is now recognized as a major means of combating poverty and sustaining balanced economic growth. Reform of existing schemes and innovative means to extend protection to hereto unprotected communities is key.

Occupational safety and health continues to be a fundamental concern and is expanding into new areas like the informal economy and hazardous child labour. Finally, the above areas underscore the need to broaden the scope of social dialogue to critical issues of poverty alleviation, informal economy and migration among others. Inclusive ways and means of managing change and reform lie at the centre of the ILO approach.

As you have requested, under each of the strategic objectives, budgetary information is provided for the regular budget proposals, estimated extra-budgetary expenditure and estimated expenditure under the 2000-01 surplus. This provides a more complete picture than before of the ILO as a whole.

Six shared policy objectives are identified as a means to enhance horizontal collaboration, among sectors and with the regions. All units, including the regions, are to contribute to implementing the shared objectives. These are integrated approaches to decent work, poverty alleviation and social inclusion, gender equality, international partnerships, knowledge, and communication and outreach.

My proposals include an increase of \$2 million for the strategic budget, comprising our technical work. I propose a significant shift of resources to the regions of around 10 per cent of their present allocation for professional staff. In all, this represents an additional \$6.8 million to strengthen the regions' technical capacity.

The increased support to the regions is financed mainly by reductions in support services, in keeping with my commitment to vigorously pursue efficiency gains. Reductions in support services reach nearly 16 per cent over three biennia. A reduction in management services, with the exception of human resources development, is proposed in this budget. This would mean a cumulative reduction of 4.1 per cent over three biennia. Reductions in policy-making organs are also proposed. While a small decrease of 1 per cent is proposed for technical programmes at headquarters, the cumulative change over three biennia is an increase of 4 per cent.

My proposals include a number of measures aimed at strengthening the ILO's capacity to effectively deliver on its programme. I am personally committed to better management and a stronger management culture and practice in the ILO. Lines of responsibility and accountability are being and will be further clarified, and vital information will be accessible in more transparent ways. The results-based management framework adopted in 2000-01 and continuously refined and deepened, is naturally leading us in this direction. The Integrated Resource Information Services project will further support such efforts. I have asked the senior management team to take the lead with me on all these matters and assume the responsibility to drive forward the necessary changes.

The vigorous pursuit of efficiency gains and savings will continue. We have already a reduction in the number and length of documents prepared for the Governing Body. A further reduction up to one-quarter as proposed to you in my introduction would generate additional savings.

Fortunately, resources for technical cooperation have resumed an upward trend, with estimated expenditures of US\$226 million in 2004-05. The contrast between this sign of confidence and a flat regular budget presents us with a real problem. Our ability to service our technical cooperation programme is at risk. Voluntary contributions will have to contain in the future more important provisions for support to the execution of projects.

Extensive information is provided in the programme and budget proposals on the reasons for cost increases. All of you are affected, in your own governments and organizations, with the need to cope with such increases. The ILO's budget has not kept up with increases over the years, resulting in reduced resources for the expanding demand I have already described. Let me identify four reasons why a failure to cover increased costs would be a considerable step backwards.

First, the cost increases identified in the proposals are technically sound and fiscally conservative. They continue the prudent management of resources that I have consistently applied. In the three budgets I have proposed, the aggregate cost increases total 4.57 per cent, or a modest average annual rate of three-quarters of a per cent.

Second, the cost increase incorporates decisions made since the current budget was adopted in June 2001 that we already know will augment the level of 2004-05 expenditure of the Office. I refer, for example, to decisions which we are obliged to follow, through the ILO's participation in the United Nations common system, relating to salaries of Professional staff worldwide and the remuneration of General Service staff in Geneva. These alone account for half of the 2004-05 cost increase provision, and their financial effect is a matter of fact and simple arithmetic.

Third, cost increases will happen in any case. The issue is whether the ILO budget should be cut in real terms by an amount corresponding to the cost increases. This would require sacrificing services to constituents despite increasing demand. In many areas we are feeling the negative impact of zero growth, not least in our human resources. Sustained efficiency gains and cost compression have now reached their limit. Any further reductions will clearly jeopardize the quality of service rendered to constituents.

Fourth, you have asked us to move towards strategic budgeting and results-based management. We have done so and continue to review and enhance the process. We all understand

that we are all working under resource constraints but mechanically delinking resources available from performance is not only demotivating but also the wrong management message.

Mr. Chairperson,

The 2004-05 Programme and Budget will conclude the period of the present strategic policy framework. We will soon start work on the strategic framework for the period 2006-09. I invite you to prepare this document together and engage in a thorough strategic reflection on where we want to see the ILO moving in the future.

Particular attention should, in my view, be given to how the ILO works and delivers. As you will have seen, we have started in this direction with the shared policy objectives in my present proposals and the developments we are making in country programming. I wish to associate the members of the Governing Body early in the development of this strategic framework. We would welcome the opportunity for close interaction.

I look forward to a stimulating discussion on these programme and budget proposals.

Thank you for your attention.

Appendix II

The Director-General's reply to his PFAC discussion of the Programme and Budget proposals for 2004-05

Mr. Chairperson,

This Committee held last week a very constructive debate on my Programme and Budget proposals for 2004-05. I am heartened by the broad support expressed for these proposals as well as for the many useful comments made by many speakers. They give us clear directions for the implementation of the budget and highlight areas to enhance efficiency and delivery.

The Committee endorsed the Programme and Budget proposals for 2004-05 submitted to you at a budget level of zero real growth. You thus gave me a clear guideline to prepare my response.

An overwhelming majority of governments – as described by our Chairperson – as well as the Employers' and Workers' groups supported the agreed recommendation. Others did not wish to stand in the way of a consensus. I thank them all, particularly those for which the decision implies a higher burden because of severe economic and fiscal situations. This reflects a firm commitment to the ILO and to our Decent Work Agenda. I also want to express my respect and understanding for those who had reservations which have been duly recorded. Beyond their position of principle on this issue, I want to acknowledge their important budgetary and extra-budgetary contributions to the overall work of the institution.

We all know that these are not easy questions for any of us. That is why I welcome the suggestion by France to take up in another meeting of the Governing Body the issue of the future of the ILO budget. I think that a serious exchange of views on this matter at a time when we are not discussing a specific budget decision could be very useful. This could be easily done in the context of the preparation of our next Strategic Policy Framework, which could also be used as a basis for early consultation on the preparation of the next budget.

But as of now, let me assure all of you and, in particular, the representatives of the United States, Japan and the United Kingdom, that I will continue to pursue energetically cost cuttings wherever possible.

The search for more efficient methods of work has been central to my management approach since my first proposals to you in 1999. Cumulative reductions over three biennia of 16 per cent in support services, 9 per cent in services to meetings, and 4 per cent in management services give a precise measure of my commitment to cost savings. In these proposals for 2004-05 alone, support services are reduced by US\$3.2 million and relations and conference services are reduced by \$1.6 million. The proposal to reduce Governing Body documentation by 25 per cent has been broadly supported.

The very modest cost increases provided for in the budget are a technical calculation based on obligations that are for the most part already known, such as salary increases and security expenditures already approved in New York by the same member States that are represented here. We have no control over these cost increases and, if not approved, they can only be absorbed through cuts in programmes, which your debate made clear was not the preferred option.

Many suggestions for cost savings were made. I welcome this. One idea that was mentioned in particular by Japan, but also by the Republic of Korea, the Russian Federation, the United Kingdom and the United States, concerns the grading structure in the Office and the potential to take advantage of retirements to recruit new officials at lower grades. We shall explore this idea. It can open greater possibilities for recruiting young officials, which was a need identified by many of you. It will gradually lead to a more appropriate overall grade structure. It will no doubt have indirect benefits, such as widening recruitment opportunities and encouraging mobility between the field and headquarters. In other words, this is a policy with much wider implications than just cost savings. I will follow this up with our human resources management and take note at the same time of the request by the United States to ensure stricter and more centralized control over grading.

However, legitimate career expectations of staff and the need to ensure greater gender balance in the P.5 to D.2 category will be respected.

Other opportunities for savings were listed that we will also examine with the greatest attention. These include reductions in the length, structure and cost of all meetings, including the Governing Body and the Conference; conditions of travel for staff and participants in meetings, and renegotiation of supplier contracts. And of course as many of you have highlighted – a decision that is in your hands – that is to start meetings on time! The Russian Federation summarized the views by asking for careful cost-benefit analysis of all areas of administration.

I will continue to make the greatest efforts to identify and implement measures to find savings. At this stage, however, the savings already proposed represent a major commitment and will be achieved with difficulty. I must also heed the advice and concern expressed by many of you that it would be difficult to absorb further cuts in support services without affecting the overall efficiency of our operation. Moreover, cost savings should result in increased services to member States. I addressed this issue in detail in my budget presentation so I will not return to it now.

Mr. Chairperson, let me now turn to the substantive discussion on the proposals.

The discussions brought forward a large number of important orientations for the Office. These observations concentrate on shifts of emphasis within established allocations rather than major resource transfers. While there was a general demand for increased activities on a large number of priorities, on balance there were no important shifts in resources proposed that could be accommodated without reductions in other priorities.

Rather than marginal increases or decreases in resources, I understand that you wish to see shifts in emphasis within established allocations, to facilitate in particular greater collaboration and cross-sectoral activities. I therefore will ask the Executive and Regional Directors to ensure that in executing the 2004-05 programme, adequate attention is paid to the priorities clearly expressed by this Committee.

There is one exception though. There was a large consensus shared by Employers and Workers and Government representatives from all regions on the priority of ILO work in relation to the HIV/AIDS pandemic. I think that we are all convinced that the ILO must do much more in relation to this tragedy, within the strict confines of the ILO mandate and the resources available.

Allow me to recall that this is a new programme that I proposed in 1999. Today, the ILO code of practice on HIV/AIDS and the world of work has been translated into 25 languages, and is being applied in over 40 countries across all regions. The ILO has already mobilized some \$9 million in extra-budgetary resources over the period 2001-05 and our efforts are accelerating. Our work covers a range of ILO programmes to fully exploit the many cross-linkages Mr. Blondel so eloquently illustrated, as for instance between child labour and HIV/AIDS-affected parents or children.

In consultation with the Regional Directors, I have decided that within the resources transferred to the regions, at least an additional \$500,000 be allocated for work on HIV/AIDS. This will reinforce the network of HIV/AIDS focal points and full-time specialists that we have already put in place. I also will be exploring the most effective ways to reinforce work on HIV/AIDS with the Senior Management Team and the Regional Directors. As our HIV/AIDS programme develops and acquires the necessary dimension, I will give due consideration to your suggestions that it become an InFocus programme.

Before turning to comments on specific parts of the budget, I would like to recognize the strong support for the strengthening of the regions that is a dominant theme of the proposals and to which I have a strong personal commitment. This was widely seen as a means of significantly strengthening services to constituents in the regions. The regional groupings, plus the Russian Federation on behalf of the CIS, all spoke in favour.

The distribution of the \$6.8 million I propose to transfer to the regions is as follows: approximately one-third for employment, one-third for social protection (including HIV/AIDS) and the balance distributed among the other strategic objectives and shared policy objectives.

I acknowledge the concern for more robust infrastructure, procedures and controls championed by New Zealand and for careful attention to cost-effectiveness in the use of the resources, emphasized by the United States. I would like to state my strong view that we need to better manage Office-wide resources that are used at regional level, which is one of the reasons we are developing decent work country programmes.

In reference to the introduction, we have taken careful note of the observations made on parts of the text, in particular in reference to the opportunities offered by globalization as pointed out by many of you, in our description of the Africa region as observed by Mr. Blondel or in the presentation of data on poverty as indicated by Germany.

The debate on standards and fundamental principles and rights brought to light four sets of issues. First, as more and more governments seek to ratify ILO standards, Mr. Botha and Mr. Blondel as well as several Government delegates, including South Africa, on behalf of the Africa group, underscored the ILO's mandate of assisting countries in fully implementing ratified instruments.

As you know, this is a matter to which I have devoted much attention, with the development of the programme on the elimination of child labour and the programme of technical cooperation built around the ILO Declaration on Fundamental Principles and Rights at Work.

I strongly share the view expressed that as much attention is required to assist countries in applying standards as to the promotion of new ratifications. To borrow from Mr. Botha's language, banning child labour in hazardous employment is not sufficient if no concrete education alternatives are offered to the child or employment opportunities to the parents. This important lesson is a foundation for the expansion of this major programme. Beyond this, it is a lesson for standard setting in general.

A second point stressed by France, but mentioned by several other speakers, including the Employer and Worker spokespersons, is the relative weight of regular budget and extra-budgetary resources. The imbalance several speakers cautioned against is most noticeable under this first strategic objective, although the point is valid generally. The rapid growth of technical cooperation resources as compared to the regular budget is a matter of concern to me, as I mentioned in my introductory remarks on Monday, 10 March.

But as Mr. Blondel indicated, the point is not to discourage donors from providing support to key areas of the ILO mandate, but rather to explore ways and means, as suggested by the United Kingdom, of maintaining a balance between levels of extra-budgetary resources across the four strategic objectives and between the regular budget and technical cooperation funding. We need effective delivery of sound products and services that lead to a virtuous circle of better resource mobilization and diversification of funding and, most importantly, ensuring that the use of extra-budgetary resources is directed to the priorities approved by the Governing Body and with a methodology presently applied, for example, by the United Kingdom, the Netherlands and other donors, that gives sufficient leeway to the Office in the definition of the programmes.

This brings me directly to the third point stressed by several speakers, namely the modernization and integration of standard-setting activities. You all know about the decisive developments in the making with regard to maritime standards and occupational safety and health standards, following on the work of the Working Party on Policy regarding the Revision of Standards. Such an approach could potentially overcome the implicit hierarchy between fundamental standards and other no less important standards, a concern expressed by Mr. Blondel and, from another angle, by Germany in reference to the workload of the Committee of Experts. Clearly, further innovations are required, particularly with respect to the effectiveness of the supervisory machinery. The Office is working on this as you know, in close collaboration with the Governing Body.

Finally, Mr. Blondel and Mr. Botha reminded us of the constant attention merited by freedom of association, both in terms of the changing situation in countries that have ratified this instrument as well as in convincing other countries of the benefits of ratification and implementation. We have made important progress in this sense, but we know how fragile this basic right can be and still is for the many workers and employers who cannot avail themselves of the protection of a representative body.

As you know, this is an area to which I have given particular personal attention – especially when the security of trade unions and employer leaders is endangered. This is an area in which we must maintain constant vigilance.

Representatives of Argentina, the Republic of Korea and South Africa, speaking on behalf of their respective regions, spoke of the importance of employment and ILO work in support of employment. Several speakers, including New Zealand, the United Kingdom and Mr. Botha, regretted the percentage cut in the sector's budget, although there was general support for the

proposal to make an absolute increase in overall support to employment activities as compared to the current biennium. It was understood that all sectors at headquarters had small reductions in resources as a way to permit shifts towards the regions. This is a reflection of the hard law of zero real growth.

Youth employment was singled out as an area of great importance by several speakers. Within the employment sector and in the regions, youth employment is in fact a key area of work, simply because it reflects constituents' demands. I very much agree that we need to give more prominence to policies for youth employment in order to better highlight lessons learned and good practice.

The Youth Employment Network established with the support of the President of the World Bank and the Secretary-General of the United Nations should enable the ILO to mobilize much more extra-budgetary resources, if the necessary programmes and proposals are attractive to donors.

Indeed, several speakers pointed to the very modest increase in estimated technical cooperation expenditure under this strategic objective. Clearly, more efforts are required to mobilize donor support if we are to make good on the promise of putting employment at the centre of our response to poverty and social exclusion.

In this respect, during the discussions I suggested that it was important for labour ministries, employers' and workers' organizations to be actively involved in the PRSP process and in negotiations with donor countries. Today, employment and enterprise creation is a major component of poverty eradication but is not a priority of development cooperation. I mentioned for example that linking Jobs for Africa with greater tripartite influence on NEPAD could yield important international support for the ILO's employment activities in Africa. Jobs for Africa will continue to be a major ILO priority in Africa.

Several speakers, particularly Government delegates from Asia, stressed the linkages between employment and investments in skills. The InFocus Programme on Skills, Knowledge, and Employability is coordinating ILO work in this area. But many other ILO programmes, including the InFocus programme on small enterprise development, and also the centre in Turin offer advisory services and training courses in skills development.

Mr. Blondel and the United Kingdom questioned whether sufficient priority was given to our work in occupational safety and health. I am fully conscious of the fact that the demand for our services in this important area is very high. My proposal to strengthen professional capacity in the regions will partly address this concern. But I cannot fail to make reference to your discussion of the evaluation of our work in this area in November 2002 which, inter alia, called for the establishment of clear priorities for the ILO in occupational safety and health. Here, like in many other areas, greater focus around a limited number of clear priorities is the appropriate response to insufficient resources in relation to an expanding demand on our services. It should also allow us to better mobilize extra-budgetary resources.

Mr. Botha and Mr. Blondel reminded us that the International Labour Conference had adopted a resolution on tripartism and social dialogue in June 2002 that was meant to strengthen the work of the ILO in this area. You will have noticed that I propose an identical level of resources for the Bureaux for Employers' Activities and that for Workers' Activities, when most other units in headquarters had to accept cuts.

The recent reorganization of the InFocus Programme for Social Dialogue, Labour Law and Labour Administration was meant to put it on a better footing to address the concerns raised by the said resolution. Further strengthening will be looked at. The ongoing evaluation of the sectoral activities programme which the United States and Germany referred to is one example of this.

A central focus of my proposals is to continue to strengthen social dialogue and tripartism particularly in the area of economic and social policy dialogue and decisions. Both Mr. Blondel and Mr. Botha have pointed out the Office-wide mandate of the Bureaux for Employers' and Workers' Activities. Indeed our efforts to build genuine collaboration and joint activities across the Office are bearing fruit. This is illustrated in the greater participation of employers' and workers' organizations in poverty reduction strategies. This work will be further strengthened, including around the wider application of Convention No. 144 on tripartite consultation.

Concern has again been expressed by Mr. Botha and Mr. Blondel about partnerships. Allow me to recall that tripartism is a basic principle of the ILO Constitution. An important part of ILO resources is spent on strengthening employers' and workers' organizations and allowing them to participate actively and make contributions when and where required.

The principles of policy integration and greater horizontal collaboration within the Office have been supported by several speakers. Mr. Blondel used the word “*décloisonner*” which sounds much better than the English equivalent of decompartmentalization. This is precisely the purpose of the six shared policy objectives identified, to which all units are expected, in various ways, to make a contribution. All six objectives are expressed in results-based terms in order to report on the outcomes of this work.

Poverty and social exclusion is one of these objectives that will enable us to better focus and coordinate our multiple activities directed to poverty alleviation.

The importance of this work was recalled by China and Indonesia. India and the United Kingdom underscored ILO work on the informal economy as called for in the resolution adopted by the Conference in June last year. But I take serious note of the preoccupation expressed by some of you that we should avoid duplication of efforts in the work of the Policy Integration Department. Allow me to remind you that this department combines existing units, and that nearly 60 per cent of its budget consists of the Bureau of Statistics.

This integrated work does not happen automatically. Inside the Office, we need ways to support coherent action across the strategic objectives and in the regions. The Policy Integration Department is a new means to achieve this. Its primary role is to facilitate Office-wide collaboration, under the guidance of the Senior Management Team.

It provides leadership and substantive support in the delivery of key cross-Office products, such as measurement of progress towards decent work, in the development of a comprehensive approach to the informal economy and in integrated decent work policies and programmes in countries.

It also supports another major issue for which an integrated approach is needed: the ILO's international policy agenda, and in particular developing responses to the challenges of globalization built around the Decent Work Agenda.

Another illustration of this greater integration is given by our work on gender. The Bureau for Gender Equality is the unit responsible for formulating and monitoring gender-related activities and policies across the Office. Several speakers, for example from Italy, Norway and Workers, wanted to see work in this area reinforced. Employers questioned the apparent multiplication of responsibility throughout the Office. The explanation is that all units and programmes in the ILO, as reflected in the shared policy objective on gender, have a responsibility for making explicit their gender policies.

Gender is an increasingly mainstreamed activity across the ILO. For the first time, gender audits have been introduced as a new technique praised and now utilized by other organizations. We will continue with this effort in order to render all our technical activities explicit in gender terms, from statistical indicators to policy objectives.

These shared policy objectives will further strengthen the strategic orientation of the ILO budget. As indicated, the responsibility for implementing these objectives is a joint one. This does not preclude, as was observed by Mr. Botha, that clear lines of responsibility and accountability are established at a more detailed level in the delivery of specific outputs, contributing to a shared objective. Improvements in the alignment of responsibility, authority and accountability are a major priority for me within the overall theme of more effective performance management.

Our current budgeting and accounting techniques do not allow us to give a detailed, itemized answer to the question put by Norway and the United Kingdom regarding total ILO expenditure on gender activities or poverty for example, where more than one unit is active and where intensive collaboration is taking place, although we can produce reasonable estimates. The project IRIS should allow us to report in a more comprehensive way on strategic budgeting, though this will not be easy, as thoughtfully pointed out by the United Kingdom. This is work in progress on which I will be able to report more fully in the future. Regular evaluation of ILO programmes, as approved under the new evaluation policy, will yield more information on how activities under each strategic objective impact on each other.

Government delegates from France, Italy and Barbados noted the modest but real increase in the ILO's contribution to the International Training Centre in Turin. As already indicated in the proposals, there should be greater convergence between the substantive programmes of the Turin Centre and the Office and genuine incentives for greater collaboration as part of the same

institution. I have set up a task force under the leadership of the Director of the Turin Centre to make proposals in this regard.

Several speakers have made some very constructive suggestions on the drafting of specific indicators. This is an area in which we are still gathering experience and need to make further progress. I will ensure that those responsible for each indicator consult with interested delegates on the indicators which will give the Governing Body the most reliable and informative measure of performance. In its implementation reporting, the Office will provide complementary information on the indicators you have suggested.

France and Saudi Arabia have referred to the importance of translations. We have already made a significant increase in the number of Governing Body documents available in Arabic. In addition, savings due to reductions in documents submitted to the Governing Body should partly be directed at additional translations into Arabic, Chinese, German and Russian.

Let me conclude by thanking all of you for your contributions to a rich and fruitful discussion. I have tried to be as comprehensive as possible in my response to highlight the importance that I give to your directions and orientations. As you know, I believe that the budget is the substantive and operational backbone of an institution. It tells us and others where we are going. With the support, guidance and steady hand of the Governing Body, I believe this budget shows our commitment to the needs of our constituents.

Thank you for your attention.