



SECOND ITEM ON THE AGENDA

Programme and Budget for 2002-03**(b) Treatment of 2000-01 surplus****Introduction**

1. The financial results under the ILO Programme and Budget for 2000-01 are before the Committee under the first item on its agenda at the present session of the Governing Body. ¹ As indicated in that document, the biennium ended with a surplus of 100,925,636 Swiss francs, or US\$57,020,133 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar. The surplus is due to the receipt of significant amounts of arrears, resulting in income in excess of the level of the Programme and Budget for 2000-01, and does not reflect under spending of the approved budget. Although contributions received exceeded total assessments for 2000-01, this surplus did not increase the Director-General's spending authority as article 13 of the Financial Regulations only authorizes the Director-General to incur expenditure up to, but not exceeding, the amount appropriated by the Conference.
2. Arrears arise due to the non-payment of assessed contributions in the financial period in which they are due. Pending receipt of such contributions, under article 21 of the Financial Regulations the Director-General is authorized to withdraw sums from the Working Capital Fund or to contract loans. Such withdrawals or debts, if not reimbursed in the same financial period, would have resulted in additional assessments on member States. ² In this respect, article 18 of the Financial Regulations provides, in effect, that when the arrears that gave rise to the additional assessments are paid, the resulting surplus would be credited to member States.
3. The arrears of contributions received during 2000-01 represent amounts that were due from member States to finance activities of the Organization in previous bienniums. Notwithstanding the provisions of article 21 of the Financial Regulations, in the interest of prudent financial management, it has been the practice of the Office to propose reductions in spending levels to the Governing Body whenever significant shortfalls in income were

¹ GB.283/PFA/1.

² In accordance with article 21 of the Financial Regulations, pre-2001 edition.

expected. By voluntarily taking such precautionary measures whenever required, the Office avoided significant deficits as well as any indebtedness. This has been, however, at the cost of reductions in programmes and in investments in infrastructure. Had these measures not been taken, the Office could have continued to spend the full amount of the budget, in accordance with the provisions of the Financial Regulations, thus giving rise to budgetary deficits. Additional assessments would have been made at that time on member States and it would only be after the receipt of the arrears that reimbursement of the additional assessments under article 18 of the Financial Regulations would have been possible. The financial discipline exercised by the Office therefore avoided any additional assessments on member States.

4. The Committee may wish to recall the action taken on recent occasions when similar surpluses have arisen:
 - (a) for the 1990-91 biennium, the Conference authorized 12,324,000 Swiss francs (63 per cent) out of a total surplus of 19,369,458 Swiss francs to be retained for investments in communications, information systems, word processing and other systems, including electronic voting for the Conference and a transfer to the Building and Accommodation Fund;
 - (b) for the 1992-93 biennium, the Conference authorized 21,729,700 Swiss francs (90 per cent) out of a total surplus of 24,230,335 Swiss francs to be retained for priority programmes and for investments in equipment and information technology;
 - (c) for the 1998-99 biennium, the Conference authorized 38,250,000 Swiss francs (93 per cent) out of a total of 41,711,581 Swiss francs to be retained for the establishment of an Information Technology Systems Fund.

In all three cases the remaining balance of the surpluses was credited to member States in accordance with article 18 of the Financial Regulations.

5. After wide consultations, and in view of the precedents of the past decade, the Director-General proposes the retention of some 90 per cent of the surplus for 2000-01 (90,801,000 Swiss francs, or \$51,300,000 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar) for urgent priorities and time-bound investments. This would leave an amount of 10,124,636 Swiss francs to be credited to member States.
6. The Director-General's proposals for the use of the surplus reflect resource gaps that derive from declining real regular budget resources during a time of reform, expanded visibility and increased demand for services. The proposals are described below under two main headings:
 - I. New demands and opportunities.
 - II. Strengthening of institutional capacities as foreseen under the Strategic Policy Framework.
7. The proposed expenditures would be one-time investments that would not create continuing obligations for the future. Funds would be held in separate project accounts, including, where appropriate, the Building and Accommodation Fund and the Information Technology Systems Fund. Each proposal is accompanied by a statement of intended outcomes in keeping with results-based management principles. No expenditure would be incurred without the prior approval of the Director-General based on detailed proposals. The Office would report regularly to the Governing Body on the use of the funds, mainly through the Programme Implementation Report that provides integrated reporting on ILO performance. The expenditure would be incurred over a four-year period.

I. New demands and opportunities

8. An essential part of organizational effectiveness in a fast-changing world is the capacity to respond quickly when new demands and opportunities arise. Despite major efforts to streamline operations, the ILO's response capacity has inevitably declined as a result of programme reductions. A number of items the Governing Body has recently called for require immediate infusions of resources if they are not to result in unplanned reductions in approved programmes. Other unforeseeable items, such as crisis responses, go beyond the ILO's existing capacity. A number of these expenditures, in particular investments in improved security, are inevitable in the present international climate. Several are intended primarily to support work at the regional and country level.
9. *A maritime session of the International Labour Conference.* This has already been approved in principle by the Governing Body. There is a vital opportunity to apply the new integrated approach to international labour standards in an industry that is challenged by new security concerns as well as long-standing problems. In view of the coverage of all maritime standards, preparatory work is especially important and additional expertise for legal analysis and for drafting provisions is required in view of the need to consolidate more than 60 ILO Conventions and Recommendations in the maritime field. Resources are required for a preparatory meeting in 2004 for first discussion of the proposed new instrument, and a maritime session of the International Labour Conference in 2005 to adopt the instrument. It is foreseen that this session will require additional committees for substantive issues and specific subject areas as well as on legal and procedural matters notably to address issues relating to the Final Clauses regarding the 60 instruments.

Intended outcome: Greater impact of maritime standards due to improved relevance and coherence.

Resources: \$3.2 million.

10. *The World Commission on the Social Dimension of Globalization.* It is proposed to provide for the full cost of the World Commission instead of relying on possible savings under Part 1 of the budget. As the 2000-01 exercise shows, it would not be prudent to anticipate such savings. Moreover, since a budget was first proposed in November, interest in the work of the Commission and expectations for its report have assumed much larger proportions. The Commission will be a major, high profile opportunity to alter the terms of the current globalization debate and to show that the ILO has an essential role in the global agenda. However, greater visibility means that the outputs of the Commission will be critically examined from a variety of perspectives and the risks of failure are heightened. A result of exceptional quality is essential. It is therefore important to provide full support to the Commission. This includes additional consultations, access to expertise and research both within and outside the Office, and proper administrative and communications support. Comparisons have been made with the arrangements for similar commissions organized by other institutions and they show that the budget proposed below is a necessary minimum. The new estimate is the total for the Commission, including the amount originally estimated.

Intended outcome: Heightened consciousness of the social implications of globalization; international action to make globalization a means to promote decent work, reduce poverty and foster development.

Resources: \$2.8 million.

11. *International labour standards: Integrated approach and assessment of impact.* The Governing Body has devoted considerable effort over the past few years to the question of

more effective standards-related action. It has made good progress in identifying priority standards for promotion and in developing a new, integrated approach to future standard setting. This needs to be followed up by in-depth work on items proposed for the integrated approach to standards and by assessments of the impacts of standards. This would lead to proposals and action on the improved promotion of standards.

Intended outcome: In-depth preparation of standard-setting items selected for the integrated approach; strengthened standards promotion.

Resources: \$2 million.

12. *Response to crisis and emergencies.* Crisis response by definition cannot be planned; existing resources are inadequate for the crises that are already present in the early weeks of this biennium. The ILO has become more active in its response to crisis situations, and this has shown that early action has a real impact on prospects for long-term development. At the same time, this impact depends on a capacity to respond immediately with local representation, project development, pilot activities and advisory services. Moreover, crisis response needs to cover the full range of the ILO's objectives, requiring a cross-sectoral approach, and it needs to go beyond conflict and disasters to include economic and social emergencies. Resources are needed to respond to crises and economic and social emergencies in, for example, Afghanistan, Argentina, former CIS countries, Palestine and a number of African countries. The recent meetings on the implications of the 11 September tragedy for civil aviation and for hotels and tourism open a new means of ILO response to crises.

Intended outcome: Integrated responses to crises and to economic and social emergencies in additional member States.

Resources: \$6.5 million.

13. *Investments in building and accommodation.* Two papers,³ which propose the use of the Building and Accommodation Fund to finance the construction of new premises to house the ILO Regional Office for the Americas in Lima and the installation of additional office buildings at headquarters, are before the Committee at the present session of the Governing Body. Should the Governing Body approve these proposals, the balance available on the Building and Accommodation Fund would be reduced to US\$1.4 million.⁴ In order to maintain the fund at a level that would enable it to meet other potential uses, including additional office space for the ILO Regional Office for Africa in Abidjan, upgrading of fire detection equipment and replacement and refurbishment of interpretation equipment and booths at Geneva headquarters, the Director-General proposes that an amount of \$5.5 million be transferred to the Building and Accommodation Fund. Any proposals for the use of the resources of the Building and Accommodation Fund would, of course, be submitted to the Governing Body for its prior approval, in accordance with the provisions of the Financial Regulations.

Intended outcome: Improved functionality of ILO premises.

Resources: \$5.5 million.

³ GB.283/PFA/4 and GB.283/PFA/4/1.

⁴ This excludes an amount of \$2.5 million received from the company responsible for maintaining the headquarters building's technical installations and set aside exclusively for this purpose by a resolution of the Conference in June 1994.

14. *Security and safety of staff.* There are concerns about the security and safety of United Nations staff in light of developments during 2001 and continuing uncertainty in the international security environment. The Chief Executives Board (formerly ACC), with United Nations General Assembly support, agreed to introduce measures designed to strengthen UN system-wide security management arrangements, and the ILO will be expected to share in the associated cost increases. The ongoing ILO Field Security Review confirms that if the Office is to conform to the overall requirements of the UN Security Management System (UNSMS) it needs to take some urgent measures. It is planned to review and update security policy, rules, procedures and guidelines and provide training to management and field staff on security matters generally and, in particular, those relating to the UNSMS. The ILO will also take a more active role in the UN security coordination effort at country level and establish security focal points in each ILO field office. As part of the Field Security Review, security arrangements in three field offices have already been reviewed and it is expected that 12-15 field offices (out of a total of 45) will require special security and safety measures, which will include reinforcing existing building security, improving access controls and upgrading communications facilities.

Intended outcome: ILO safety and security standards for staff and premises meet levels agreed to by the UNSMS.

Resources: \$2.8 million.

II. Strengthening of institutional capacities foreseen under the Strategic Policy Framework

15. The Strategic Policy Framework, 2002-05 (the SPF) identifies a series of areas in which the ILO's institutional capacities need strengthening: management, regional services, knowledge management, statistics for decent work, gender equality, external communications, human resources development and information technology. The SPF recognizes that resources would not be available within the framework of zero growth for the improvements that are urgently needed. It expresses the hope that extra-budgetary resources would fill the gap. While donors have been generous in their support, with a few important exceptions they have not agreed that their resources be used to reinforce core capacities of the Office. Indeed, they have often called for reinforced regular budget support to the areas where they have made extra-budgetary resources available. The reforms and capacities approved by the Governing Body therefore have been addressed in an ad hoc and limited way due to the lack of resources.

16. *Management challenges.* (This includes human resource development, treated separately in the SPF.) The ILO has launched major reforms through the introduction of results-based budgeting and related organizational development. This requires reinforcement of the regular budget provisions in the following areas:

- redesign of programme planning, monitoring and evaluation procedures; introduction of more rigorous accountability and performance management systems; measures to upgrade efficiency and effectiveness of specific services; and related information, tools and training;
- organizational reform, including better integration of the Turin Centre with the ILO, improved joint programming across headquarters sectors and the regions; further streamlining of structures and related redeployment; and consolidation of organizational changes;

- performance-based management training; upgrading and updating of skills, including for displaced staff; support to the new programme for young career entrants to build a new generation of staff with both field and headquarters experience at an early stage of their careers.

Intended outcome: Results-based improvements in effectiveness and efficiency; a better organized and more coherent Office; improved performance management and evaluation; skills upgrading and rejuvenation.

Resources: \$6 million.

17. Regional services. The Director-General has announced his intention to reinforce regional services. This requires investment in the following areas:

- transitional costs related to moving staff and other resources to the regions and to support decentralization of responsibility, in particular for technical cooperation;
- development of systems and capacities to ensure improved technical cooperation project design, monitoring and evaluation, and to fully integrate extra-budgetary programmes into the ILO's strategic budget;
- development and pilot testing of new technical cooperation approaches and products, in particular to position the ILO as a key player on poverty reduction and PRSP and to ensure that the Decent Work Agenda is reflected in integrated programmes and projects. In addition to project and programme designs, pilot operations would be organized in collaboration with major donors. This work would take place essentially in the regions. It would support major initiatives with other UN family organizations. Among others, this includes follow-up to the China Employment Forum, Jobs for Africa, ILO/AIDS, enterprise development and support to regional cooperation.

Intended outcome: Successful decentralization of headquarters posts; higher quality technical cooperation products and proposals; improved collaboration with donors and other partners; pilot services to member States demonstrating the potential of new approaches and products.

Resources: \$10 million.

18. Statistics. This is a major area of analysis in the SPF. The goal is accurate, up-to-date databases and methodologies in support of the four strategic objectives that comprise the Decent Work Agenda. Considerable reform in internal structures and methods is needed, as well as stronger capabilities in member States. Resources would be used to design new methodologies and to pilot test them in selected countries. In view of the overall resource requirements, part of the investment would be in the development of projects suitable for extra-budgetary funding.

Intended outcome: Increased national, regional and international capacity to measure and monitor decent work effectively.

Resources: \$2 million.

19. Gender equality. Much has been done to strengthen the ILO's work on gender equality, but this is still an insufficient response in view of the scope and severity of the problems. In order to promote integrated approaches to gender equality, the Office has been developing a capability to support gender audits. This has been effective internally, and is appreciated

in the member States where pilot support has been provided. Additional resources would permit coverage of additional countries and development of projects appropriate for extra-budgetary funding.

Intended outcome: Gender audits in member States demonstrate the value of this approach and attract donor interest.

Resources: \$2 million.

20. *External communications.* The ILO is developing a more strategic communications policy. It needs to reinforce both global campaigns and targeted messages for donors and regional and local audiences. The ILO's regional structures need an enhanced capacity to tailor and disseminate information. It is proposed to develop new tools and methods that will help to build stronger and more interactive relationships with constituents and donors and to reinforce the perception of the ILO in diverse information networks. Different means and technologies would be tested for advocacy campaigns and the development of partnerships to multiply the Organization's outreach capacity. This will require the upgrading and expansion of a range of communications technologies, including the Internet, audio-visual and print capabilities. It also requires staff training in communications skills.

Intended outcome: Better institutional capacity to communicate the ILO's messages, and greater ILO recognition and presence in global and regional networks.

Resources: \$3.5 million.

21. *Investment in information technology.* (This includes technologies in support of knowledge management, treated separately in the SPF.) In June 2000, the Conference, on the recommendation of the Governing Body, decided to establish an Information Technology Systems Fund. Priority has been given to the upgrading of the ILO's financial and human resources systems and the amount available in the Information Technology Systems Fund has been fully committed for these purposes. This has meant however, that other information technology needs cannot be implemented, such as a content/document management system (CDMS), improved HQ/field telecommunications infrastructure, disaster recovery and hardware security, a storage area network (SAN), upgrading of the electronic voting and conference-management system and conversion to Microsoft Office. It is clear that the investment required for information technology cannot be realistically envisaged within the regular budget, which is subject to zero growth. The Director-General therefore proposes that an amount of US\$5 million be transferred to the Information Systems Technology Fund on the understanding that any proposals for the use of these resources would be submitted to the Governing Body for its prior approval.

Intended outcome: Improved information systems and data and communications security.

Resources: \$5 million.

22. *The Committee may therefore wish to recommend that the Governing Body:*

- (i) *request the Director-General to propose amendments to the Financial Regulations in order that surpluses may be dealt with in an appropriate manner, taking into account the circumstances under which they have occurred; and*

(ii) propose to the 90th Session (June 2002) of the International Labour Conference that, in derogation of article 18.2 of the Financial Regulations, the 2000-01 surplus of 100,925,636 Swiss francs (equivalent to US\$57,020,133 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar) be used in part to finance the items listed in the appendix, amounting to 90,801,000 Swiss francs (equivalent to US\$51,300,000 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar) and that it adopt a resolution in the following terms:

The General Conference of the International Labour Organization,

Noting that for the 2000-01 biennium an excess of income over expenditure has resulted in a surplus of 100,925,636 Swiss francs (equivalent to US\$57,020,133 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar),

Decides, in derogation of article 18.2 of the Financial Regulations, to use part of the 2000-01 surplus to finance the items listed in the Appendix amounting to 90,801,000 Swiss francs,

Notes that, taking into account the above appropriations, the amount available under article 18.2 of the Financial Regulations will be 10,124,636 Swiss francs.

Geneva, 21 February 2002.

Point for decision: Paragraph 22.

Appendix

Proposed use of the 2000-01 surplus

Summary

	US dollars	US dollars
New demands and opportunities		
Maritime Session of the International Labour Conference	3,200,000	
World Commission on the Social Dimension of Globalization	2,800,000	
International labour standards	2,000,000	
Response to crisis and emergencies	6,500,000	
Investments in building and accommodation	5,500,000	
Security and safety of staff	<u>2,800,000</u>	
		22,800,000
Strengthening of institutional capacities foreseen under the Strategic Policy Framework		
Management challenges	6,000,000	
Regional services	10,000,000	
Statistics	2,000,000	
Gender equality	2,000,000	
External communications	3,500,000	
Investment in information technology	<u>5,000,000</u>	
		<u>28,500,000</u>
Total		<u>51,300,000</u>
Total cost in Swiss francs		90,801,000